

FIVE OLDER CLIPS FROM THE U.S.-MEXICO BORDER REGION (BOTH COUNTRIES)

San Antonio Express-News (Texas)

March 3, 2002, Sunday , METRO

Maquiladora mayhem ; From its peak of 1.3 million, the sector lost 212,850 jobs within a year

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SECTION: BUSINESS; An industry in limbo ; Pg. 1K

LENGTH: 1931 words

MATAMOROS, Mexico - The pursuit of one of the scarce maquiladora jobs remaining in this border city has become an endurance test with overtones of a rock concert.

Every Monday and Friday, thousands of young women clad in sneakers, blue jeans and sweatshirts emblazoned with industry logos crush up against a stage at the Union of Day Laborers and Industrial Workers of Matamoros.

They shriek and shove, wave their birth certificates, laugh and cry, faint and get trampled as they wait hours for a chance to apply for work at a maquiladora. Typically, only 10 percent to 15 percent get jobs each day.

"It's really chaotic," said Nora Reyes Hernandez, 20, who has been out of work since losing her job at automotive supplier Johnson Electric last August. "We're pushing each other and hitting each other, and sometimes people get very upset."

The early morning mayhem is a relatively new occurrence for the union, which has served workers here for almost four decades. It's an outgrowth of heavy job losses in Mexico last year, largely in the maquiladora sector, a collection of foreign-owned plants that produce goods such as automotive parts, clothing and electronic components.

"Back in January of last year, there was never anyone looking for work at the union," said Reyes, who now spends a good part of her days there. "But in August and September, when the factories began to close, people started showing up."

What began as a trickle became a deluge as Mexico's maquiladora sector, which accounts for half the nation's exports, took its biggest hit in a decade as

a result of the U.S. recession. Businesses, and, after the Sept. 11 terrorist attacks, consumers, were no longer buying products manufactured by maquiladoras.

From its peak employment of 1.3 million workers in October 2000, the maquiladora sector lost 212,850 jobs within a year, according to data from Mexico's National Institute of Statistics, Geography and Informatics.

What's more, some industry analysts believe rising wages in Mexico and other factors are pushing some maquiladoras to close permanently and reopen in places such as China or Central America, where the cost of doing business is less.

"I think there's some of that, but that tends to be concentrated among the lowest-paying maquiladoras," said Jorge Gonzalez, a professor specializing in the Mexican economy at Trinity University. "And I don't think that's a concern for Mexico.

"It reflects that Mexico is starting to attract the maquiladoras that demand a high level of skills of workers, which, in the end, is what you want to do. Those maquiladoras pay better wages and give more training to workers."

In Ciudad Industrial Cima, a complex on the outskirts of Matamoros, plants formerly owned by Schott de Matamoros, which made electrical components, stand empty. The company recently pulled up stakes and moved to China, said Larry Johnson, vice president and general manager of Grupo Schumex, a nearby business that makes battery chargers.

Recently, Johnson's plants were silent, their machines stilled; he'd given his 500 workers the week off.

"We're doing nothing, no orders," he said. "Traditionally, this is a slow time for us. Usually, by March 1 it picks up. We're starting to get concerned, because it hasn't."

The transformation of the maquiladora industry that analysts say may be happening, which would reflect that of Japan and South Korea in the 1960s and 1970s, has been rocky for many workers, as well. Reyes lost a good job assembling motors that paid 650 pesos a week, or about \$72, along with medical benefits, Christmas bonus and vacation.

Now, she said she'd be lucky to get a job at a downtown boutique that pays less and offers no benefits. She said she'd like to work in the United States, but there are no jobs there either.

The largest number of layoffs has been in electronics, textiles and apparel, analysts said. Cities where those industries are concentrated, such as Ciudad Juarez and Tijuana, have been most damaged by job losses.

Matamoros lost 14,673 jobs, or 21 percent of its maquiladora work force, between October 2000 and October 2001. By contrast, Reynosa, a border city of about the same size, lost only 1,198 jobs.

"The industry is not homogeneous," said John Christman, the Mexico City-based director of the maquiladora industry service for CIEMEX-WEFA consulting. "The hardest hit were textiles and apparels, toys and sporting goods, but you had declines almost across the board."

In all, Mexico lost 140 maquiladora plants from November 2000 to November 2001, half of those textiles and apparel plants, Christman said. That's out of about 3,600 plants.

"In terms of plants, you had some cities that actually enjoyed growth in the period," Christman said. "You had a 17-plant increase in the Reynosa area and a nine-plant increase in the Monterrey area."

Many maquiladora owners, such as Johnson, are cutting back on hours to stay afloat. Others are closing temporarily.

Still others may be closing permanently and moving offshore, something that is not new, but may be picking up speed since the U.S. recession.

"When you have a recession as you did in the United States this year, it's going to hit us hard," Christman said. "I would say that if you go back to 1965, when the maquiladora industry program started in Mexico, 2001 was the worst year we've ever had."

Maquiladora owners have been confronting a series of troublesome issues, some more serious than others. Besides waning demand for their products, an overvalued peso is not helping matters.

"As long as the peso remains strong, that's going to serve as an effective deterrent with regard to potential investment expansions," said Tom Fullerton, associate professor of economics at the University of Texas-El Paso.

Rules imposed under the North American Free Trade Agreement that exact duties on imports from non-NAFTA countries, along with shipping delays at the U.S.-Mexico border due to heightened security after Sept. 11, have also increased the cost of doing business in Mexico for some maquiladoras.

Perhaps the biggest obstacle to success for the maquiladoras is the wages paid in Mexico, which have been rising faster than the rate of inflation. That factor, combined with the benefits employers offer workers, such as housing, health care and day care, may be pricing maquiladoras out of the market in Mexico, observers say.

"You bet that's an issue," Johnson said. "It's a big issue. There's only one reason we're here, and that's because it costs too much money to make it in the United States."

While an average maquiladora salary in Matamoros might be 500 pesos a week, or \$55, plus benefits, wages in China, for instance, may work out to more like \$17 a week.

Even the extra cost of shipping goods halfway across the world doesn't outweigh the benefits of cheaper labor, analysts said. Angelo Oliva-Hardison, a Brownsville customs broker, said the difference in shipping costs is minimal.

"To ship a container from Hong Kong to the United States probably costs \$2,000," he said. "A container from Mexico City to Brownsville is \$1,500, maybe \$1,000. It's not much of a difference, and it's not going to be a major issue."

But shipping delays are, Johnson said. If determining where the United States' next manufacturing boom takes place comes down to Mexico or China, China may not win.

"The trouble is, the product's on the water for eight weeks," Johnson said. "What are people going to buy in the next six months? Nobody knows. If we bring \$8 million worth of product here and, all of a sudden, it changes, we eat it."

On the other hand, if cross-border shipping becomes further inhibited by increased border security or border closings, it could become a problem for Mexico, analysts said. Some border areas, such as Chihuahua and Baja California have come to operate as territorial extensions of the U.S. manufacturing sector.

While some maquiladoras have closed, at least temporarily, others are demanding concessions from the government to keep them in Mexico - but much of this may be posturing, analysts said.

"After the U.S. recession hit, some companies began to talk about moving to other countries, but only as a means of political pressure," said Alejandro Mercado, senior economist with Mexico City's Ecanal consulting.

"Yes, their profit margin has diminished because of the overvalued peso, so they're asking for concessions - but not too stridently, because they're not really at risk of disappearing," he said. "And the Mexican government is not in a position at this time to concede much given the macroeconomic conditions."

It may be more likely that maquiladoras move to the interior of Mexico, instead, where labor costs are cheaper than the border and shipping still timely.

"You see a lot of people, at least in the last five to 10 years, moving south into Mexico because the border's just much more expensive," said Josue Garcia, Mexican vice president of The Initiative Group, which recycles camera flash units and assembles server trays in Matamoros.

The potential for terrorism offshore after the Sept. 11 attacks may also become a consideration, Garcia said.

Most analysts said the maquiladora sector should start to see growth again several months after the U.S. recession ends, but Fullerton said he doubted the industry would see double-digit growth again in the near future.

Christman said his company's economic models predict a complete recovery of Mexico's maquiladora sector by 2004.

"We'll see a little bit of growth this year, then gradually inching our way back up to where, by the year 2004, we should again be in double-digit growth figures in dollar terms," he said.

But labor activists said they hope Mexico's relatively cushy wages, the result of decades of union organizing, won't be sacrificed in the name of a quick maquiladora recovery. In Matamoros, some workers who were laid off months ago are being rehired at wages cut by as much as one-third.

Yaneth Guadalupe Silva, 23, had been earning 800 pesos a week, or about \$88, plus medical and other benefits, at capacitors-manufacturer Kemet de Mexico when she was laid off last June as a result of the economic slowdown.

"They were paying me well, though, of course, en el otro lado (in the United States), it's not much," she said. "Then they said there wasn't enough material for us to work on and laid off 60 or 70 people. They've been laying off people ever since."

After many visits to the union, Silva was rehired about a month ago at Tyco Electronics Power Systems making circuit boards. This job pays only 590 pesos a week, or about \$65. Though Silva said she is paying for medical benefits, she claims she has yet to receive them.

Also, she is not yet a permanent worker. Silva said she worries that when her probationary period ends her employer will move her to the late-day third shift, or even worse, get rid of her altogether.

Then she will have to return to what she did to support her 4-year-old daughter, San Juanita Diaz, during her seven months of unemployment: selling used clothing out of her home.

"That's not very reliable," Silva said. "People want to spend money, but the moment there are no jobs, they can't. Then you can't really sell much clothing."