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How the Location of U.S. Industrial Plants Has Affected Employment Earnings, And Economic Growth In Both Mexico And The United States

\n analysis ɔo's border industrialization program

has affected employment, earnings, and economic growth in both Mexico and the United States

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THE MEXICAN GOVERNMENT's program to attract U.S. industry to its northern border to assemble imported components for export has attracted a great deal of attention. Yet information about the program, its accomplishments, and conditions in the border area is meager.

This article examines the issues raised by the Mexican Border Industrialization Program and its impact. Information about social and economic conditions along the border, particularly in the urban centers, is presented in order to provide a framework for analyzing the program and its effects. An equally prominent border problem—the Mexican commuter worker—will be discussed in a later article.[1]

The U.S.-Mexican border, extending about 2,000 miles from Brownsville in the east to San Diego in the west, is not a single economic region but a series of widely separated economic and population centers with greater ease of communication and commerce across the border than between centers. Of the approximately 5 million people living in this area on both sides of the border, over 4 million live within the metropolitan centers.

Border industrialization

Officially announced in May 1965, the Border Industrialization Program of Mexico began about 2 years later. Since then, according to Mexican Government data, about 160 new enterprises have sprung up. Most of them are subsidiaries of U.S. firms. These businesses employ over 17,000 workers. The Mexican Government waives its duties and regulations on the importation of machinery, equipment, and raw materials for these plants, as well as its restrictions on foreign capital, so long as the end products, mainly assemblies of U.S. components, are exported. This policy is an exception to their general industrialization policy of developing a manufacturing industry with a high national content. However, in the border program, permission generally will not be granted to produce articles which compete with Mexican exports.

Before the border industrialization program began, the Mexican Government instituted the National Border Program (Programa Nacional Fronterizo or PRONAF) to provide physical improvements needed for industrial and commercial development: Roads were paved; industrial parks were built with railroad spurs and sidings, electricity, and water; factory buildings were constructed; and sections of the border cities were cleaned up and beautified.

The large supply of low-wage labor is the main attraction of the Mexican border area, although the incentives of the Border Industrialization Program are also important to foreign firms and many firms utilize PRONAF facilities. The national minimum wage for the urban areas of the border ranges from \$1.60 a day (or 20 cents an hour) in Ciudad Acuña to \$3.68 a day in Tijuana and Mexicali. Higher day rates exist for certain skilled and semiskilled occupations, but the highest of these, again in Tijuana and Mexicali, are \$4.948 for electricians working on building wiring, \$4.952 for cabinetmakers, and \$5.152 for auto and truck repair mechanics. Mexicans generally work 6 days a week but receive pay for 7 days. Work on Sundays and specified holidays must be paid at premium rates. The Mexican Government revises its minimum wages every 2 years, and new wage

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levels for 1970–71 were announced in January 1970. (See table 1.)

Of the approximately 160 firms which had located as of January 1970 in the border area of Mexico under the Border Industrialization Program, almost 40 percent produce electrical or electronic components or articles and about 25 percent manufacture textile products. Wood products, processed foods, and toys and sporting goods are each manufactured by about 4 to 5 percent of the firms. The remainder assemble or manufacture a miscellany of products. The new jobs created by these firms have gone primarily to young women.

Advocates of the program in both Mexico and the United States claim that U.S. manufacturers who locate in the Mexican border area where there is a plentiful supply of low-wage and easily trained labor are better able to meet competition in the U.S. markets from the Far East, Europe, Africa, and the Caribbean area. They also claim that U.S. production will benefit since Mexico's proximity permits administrative, clerical, and warehousing operations, as well as the manufacture of the basic product, to stay in the United States. The more labor-intensive part of an operation is established in Mexico. Chambers of commerce and industrial development commissions on the U.S. side of the border advocate the "twin plant" concept—that is, some of the operation is done in the U.S. border area, but the labor-intensive work is done in Mexico. In this way, it is asserted that the U.S. border cities benefit from increased industrial and service employment as well as from the sale of goods and services to Mexican workers who spend part of their earnings in the United States.

Table 1. Basic daily minimum wage rates for the northern border zones and the Federal District of Mexico, in U.S. currency, 1968–69 and 1970–71

[U.S. $1.00=12.5 Mexican Pesos]

Minimum wage zone	General [1]		Rural [1]	
	1970–71	1968–69	1970–71	1968–69
Baja California Norte	$3.68	$3.20	$2.88	$2.72
Sonora Costa	2.42	2.10	2.32	1.98
Sonora Nogales	2.70	2.36	2.44	2.18
Chihuahua-Casas Grandes	2.32	1.96	2.12	1.84
Chihuahua-Ciudad Juarez	2.88	2.55	2.52	2.20
Chihuahua Noreste	2.24	2.00	2.12	1.88
Coahuila Centro	1.60	1.40	1.424	1.24
Coahuila Piedras Negras	2.384	2.08	1.78	1.56
Laredo Anahuac	2.64	2.28	2.14	1.89
Tamaulipas Matamoros	2.70	2.38	2.24	1.94
Federal District	2.56	2.26	2.40	2.10

[1] In addition to these rates, higher basic minimum daily rates for 36 (24 in 1968–69) semiskilled and skilled occupations were published simultaneously with the general and rural rates.

Source: Mexico, Secretaría de Gobernación, "Diario Oficial", December 24, 1969.

Opponents of the program claim that it encourages firms seeking lower wages to leave the United States and go to Mexico, thus creating unemployment in the United States.[2] Their opposition to the Mexican program is the same as their opposition to American firms expanding production abroad in other low-wage areas when the effect is an export of U.S. jobs, since all such jobs which are created abroad are considered to be lost to the United States. Opponents also claim that the prices paid by the American consumer for products made in the Mexican border area do not reflect the lower wage costs of Mexican workers. Since the products assembled in the border industries have to be exported if the firms are to qualify for the special border area incentives, the program is criticized because Mexicans do not have the opportunity to buy in Mexico the products which they help produce. Resolutions of the AFL–CIO Convention in October 1969 charge that "nonunion plants, evasion of Mexican laws and cheap labor production for high-priced U.S. markets do not build friendship or promote economic development on the Mexican side of the border."[3] Opponents of the program also feel that in the long run the Mexican Border Industrialization Program may create unemployment problems as Mexicans from the interior of the country migrate northward to participate in the economic opportunities, thus putting pressure on wages and labor standards in communities on both sides of the border.

Impact of the program

EFFECTS IN THE UNITED STATES. An examination of local employment service data provides very little information to back up the claims of either proponents or opponents of the program. It is possible to identify only 350 new jobs in the United States directly attributable to the growth of new industries in the Mexican border area. These jobs are in the twin plants located in Laredo and El Paso. However, promoters of the program in El Paso claim that 1,100 new jobs in El Paso can be directly attributed to the twin plant operations. Thus, additional jobs which have not been identified may have been created by twin plant operations in the border area or by the increased purchasing power of formerly unemployed Mexicans now working in border industries, who reputedly spend as much as 40 percent of their incomes in the United States.

The firms which have established subsidiary operations in the Mexican border area are located in all parts of the United States, with no particular area having a major concentration of them. Several are multinational corporations. Many of these firms belong to U.S. industries which serve defense needs and space programs as well as consumer demands. Recently, many domestic firms in these industries have experienced reductions in force due to cutbacks in defense orders and in the space program and to decreasing consumer demand for certain products. Some reductions in force can also be attributed to firms transferring their operations from one plant to another, in the same labor market area or to other locations, or to the consolidation of operations. Some may be due to the movement of assembly operations to the Mexican side of the border or to other foreign areas. In a highly dynamic situation, it is difficult to isolate the net job losses due to the transfer of operations to Mexico.

A review of labor market data indicates that identifiable permanent layoffs caused by the operations of U.S. subsidiaries in the Mexican border area amount to roughly 1,700 jobs. While the number that can be identified is small, the rapid growth of production abroad by U.S. firms to take advantage of low-wage labor is a concern both to workers who fear the loss of their jobs and to U.S. authorities involved in manpower programs aimed at maximizing U.S. employment opportunities.

Effects in Mexico. According to data available from the Mexican Government, over 17,000 jobs had been created in the Mexican border area as of January 1970, through the Border Industrialization Program. Most of the firms are engaged in electronics, electrical products, and the manufacture of textile products. Machinery and equipment in the establishments were valued at close to $11 million in early 1970. The payrolls had added about $17 million to the economies of the border cities. Tijuana and Mexicali together have almost half of the total number of firms operating under the Border Industrialization Program and about a third of the workers.

Imports from the border area

The Mexican Border Industrialization Program benefited from Section (item) 807 of the Tariff Schedule of the United States. Under this section, import duties are partially exempted on U.S. products assembled abroad or on U.S. parts incorporated abroad into essentially foreign products. The duty is paid only on the components of the product not made in the United States—that is, on the value added abroad. In the case of the Mexican assembly operations, this is primarily the labor which assembles the product.

The original intent of Section 807 was to maintain U.S. production by encouraging the use of U.S. components in foreign-made products. However, an increasing share of Section 807 trade reflects the use by U.S. firms of low-wage, unskilled labor in certain developing countries to assemble products for the U.S. market. This is reflected in the statistics shown in table 2 for countries like Mexico, Hong Kong, and Taiwan.

If the data for the first half of 1969 can be used to predict the trend for the whole year, U.S. imports from Mexico under this Tariff item will continue to increase. In the first half of 1969, Mexico accounted for just over 7 percent of the total value of all 807 imports, compared with only 0.5 percent of the total in 1965. In 1968, approximately a fourth of manufactured goods imported from Mexico came in under Section 807. Ever since statistics on Section 807 imports have been available (1965), imports from Mexico under this section have shown a very high proportion of U.S. materials.[4] In 1965, just over two-fifths of the value of imports from Mexico under Section 807 were originally exported from the United States. In 1968, the proportion of the U.S. parts had increased to two-thirds of the value of these imports from Mexico, while in the first half of 1969 this proportion continued to grow—to 68 percent. Mexico is the largest foreign assembler of U.S. components for reexport to the United States.

Table 2. U.S. imports for consumption under the Tariff Schedule, Section 807, 1965, 1968, and first half of 1969

[In millions of dollars and percent]

Country [1]	First 6 months of 1969			1968			1965		
	Total value of Section 807 imports	Value of components from the United States	U.S. components as percent of total value	Total value of Section 807 imports	Value of components from the United States	U.S. components as percent of total value	Total value of Section 807 imports	Value of components from the United States	U.S. components as percent of total value
Total	$818.9	$151.3	18.48	$1,432.0	$225.3	15.73	$577.4	$76.2	13.20
West Germany	331.2	3.4	1.03	658.7	7.8	1.13	248.5	4.0	1.61
Canada	120.7	30.0	24.86	188.1	48.9	26.00	151.0	34.7	22.98
Japan	51.0	9.4	18.43	90.4	17.0	18.81	27.1	3.1	11.44
Sweden	33.1	0.1	0.30	81.7	1.3	1.59	31.8	1.3	4.09
Mexico	59.1	40.2	68.02	73.3	49.5	67.53	3.1	1.3	41.94
Hong Kong	39.8	23.0	57.79	64.7	35.2	54.40	19.5	10.5	53.85
United Kingdom	39.7	4.6	11.59	57.0	7.0	12.28	43.6	6.6	15.14
Taiwan	32.0	11.5	35.94	49.9	18.8	37.68	1.8	0.9	50.00
Belgium [2]	43.1	2.5	5.80	44.9	5.2	11.58	11.4	3.8	33.33
France	15.1	4.8	31.79	22.3	7.0	31.39	9.1	3.0	32.97
Ireland	11.6	3.0	25.86	17.5	4.5	25.71	9.5	3.9	41.05
All other	42.5	18.8	44.24	56.5	23.1	40.88	21.0	3.1	14.76

[1] The 11 specified countries have accounted for 95 to 96 percent of the total value of imports under Section 807. Their share of the U.S. component value of such imports has declined from 96 percent of total value in 1965 to 90 percent in 1968 and 88 percent in the first half of 1969.

[2] Includes Luxembourg.

SOURCE: Compiled from Foreign Trade Reports IM 145-A and IA 245-A, U.S. Department of Commerce.

Profile of the border communities

To understand the attraction of the Mexican border area to U.S. manufacturing firms, it will be helpful to look at the social and economic profile of this 2,000-mile area. Rather than look at the entire length of the border, however, it is more useful to concentrate on the "twin cities" areas—those parts of the border area which interact most closely with each other. The remainder of the area is sparsely inhabited and rather isolated both geographically and economically. The "twin cities" are areas where population centers have grown up on both sides of the border at about the same locations. This article concentrates on ten of these areas. They include the major border cities and the surrounding counties or municipios [5] on both sides of the border and account for approximately 80 percent, or 4.4 million people, of the total border area population. (See the map on p. 37.)

Population growth. Of the 4.4 million inhabitants in the twin cities areas, 2,243,000 live on the U.S. side and 2,168,000 on the Mexican side. The population is not as evenly divided among the twin cities as these figures would imply, however. (See table 3.) The twin cities are comparable in size in only two instances: Del Rio (Val Verde County), Tex., and Ciudad Acuña, Coahuila; and the McAllen, Tex.-Reynosa, Tamaulipas, area. In six of the remaining areas, the Mexican city is anywhere from 37 percent larger to almost seven times larger than its U.S. "twin."

In all of the Mexican border cities, the rate of population growth since 1940 has been greater than in the U.S. twin cities areas. Several reasons account for this: Wages paid there are among the highest in Mexico; Government programs of irrigation and land reform in the northern part of Mexico and of industrial development in the major border cities have attracted rural residents from the interior; and the more prosperous agriculture in parts of the Mexican border areas and the prospect of working in the United States attract thousands of rural and small town Mexicans to the border. Superimposed on these large scale population movements is the high birth rate of Mexico, which is in the neighborhood of 4.3 percent a year.

The U.S. side of the border, with its large Mexican-American population, also has the high rates of natural population increase common to the Mexican side, but substantial outmigration in 6 of the 10 twin cities counties lowered the total rate of population increase. The following tabulation shows net migration rates for the U.S. border area between 1950 and 1960.

County and border city	*Net migration in percent*
California	
San Diego	+58.5
Imperial	−11.8
Arizona	
Santa Cruz	−10.2
Cochise	+49.0
Texas	
El Paso	+15.7
Val Verde (Del Rio)	+9.8
Maverick (Eagle Pass)	−25.4
Webb (Laredo)	−19.5
Hidalgo (McAllen)	−23.7
Cameron (Brownsville)	−18.6

Source: *1967 City and County Data Book*, U.S. Bureau of the Census.

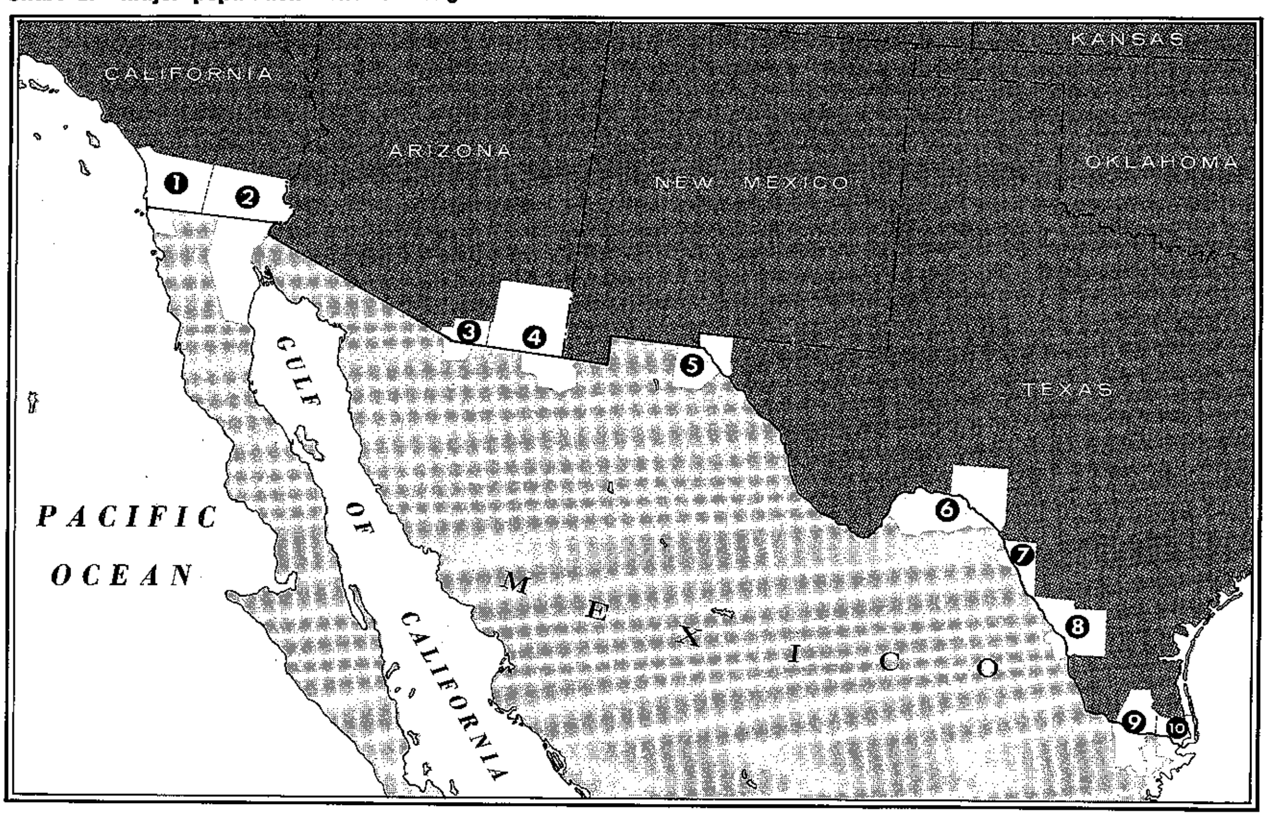
Outmigration is most substantial from the counties with the poorest employment opportunities.

UNEMPLOYMENT. In the U.S. twin cities areas, unemployment rates are highest in Imperial County, Calif., and in the Texas counties from Val Verde southeastward, where agriculture occupies a large percentage of the work force. In these counties average annual rates in 1968 ranged from a low of 5.8 percent of the work force in Hidalgo and Cameron Counties to a high of 9.1 percent in Maverick.[6] The seasonal variations in unemployment shown in the 1969 data indicate the severe economic problems confronting several of the U.S. border counties. (See table 4.)

Unemployment data are not regularly collected in Mexico nor is unemployment viewed in the same terms as in the United States. Mexican labor law expresses a philosophy of the permanence of the work relationship—that is, any worker who is hired for a job which is of a continuing nature has a vested right in it following a probationary period. The labor law provides for the discharge of unneeded workers, but it obligates the employer to make heavy severance payments.[7] As a result, employers tend not to lay off workers for short periods when there is no work; therefore, unemployment is not recognized if it is of less than several weeks' duration.

Nevertheless, recent surveys by the Mexican National Minimum Wage Commission in 6 border cities reveal combined rates of underemployment and unemployment in the neighborhood of 20–27 percent of the economically active

Chart 1. Major population centers along the United States-Mexico border



U.S. county (border city in parentheses)—Mexican municipio

1. San Diego, Calif.—Tijuana, Baja California Norte
2. Imperial (Calexico), Calif.—Mexicali, Baja California Norte
3. Santa Cruz (Nogales), Ariz.—Nogales, Sonora
4. Cochise (Douglas), Ariz.—Agua Prieta, Sonora
5. El Paso, Texas—Ciudad Juarez, Chihuahua
6. Val Verde (Del Rio), Texas—Ciudad Acuna, Coahuila
7. Maverick (Eagle Pass), Texas—Piedras Negras, Coahuila
8. Webb (Laredo), Texas—Nuevo Laredo, Tamaulipas
9. Hidalgo (McAllen), Texas—Reynosa, Tamaulipas
10. Cameron (Brownsville), Texas—Matamoras, Tamaulipas

Table 3. Current population estimates and percent change of contiguous U.S. and Mexican border areas

U.S. county (border city in parenthesis)—Mexican municipio	Population current estimate [1]	Percent change		
		Since 1960	1950–60	1940–50
San Diego, California	1,297,200	25.6	85.5	92.4
Tijuana, Baja California N	[2] 450,000	171.6	153.5	197.4
Imperial (Calexico), California	80,000	11.0	14.5	5.4
Mexicali, Baja California N	552,509	96.4	126.2	180.1
Santa Cruz (Nogales), Arizona	[2] 14,400	33.2	15.7	−1.5
Nogales, Sonora	60,000	50.7	53.0	68.7
Cochise (Douglas), Arizona	[2] 66,500	20.8	74.8	−9.1
Agua Prieta, Sonora	21,501	24.7	31.5	100.3
El Paso, Texas	343,800	9.2	61.1	48.8
Ciudad Juarez, Chihuahua	480,000	73.3	111.0	138.6
Val Verde (Del Rio), Texas	[2] 30,000	22.6	47.0	7.6
Ciudad Acuna, Coahuila	[3] 31,000	38.9	64.8	63.6
Maverick (Eagle Pass), Texas	19,800	36.5	18.0	22.1
Piedras Negras, Coahuila	67,795	40.0	52.9	69.6
Webb (Laredo), Texas	79,003	21.9	15.4	22.3
Nuevo Laredo, Tamaulipas	135,000	40.6	61.4	88.9
Hidalgo (McAllen), Texas	177,100	−2.1	12.8	51.3
Reynosa, Tamaulipas	185,000	37.2	125.2	200.1
Cameron (Brownsville), Texas	134,900	−10.7	20.7	50.4
Matamoros, Tamaulipas	[2] 185,000	29.3	28.2	137.1
Total twin cities areas population	4,410,508	40.2	66.6	77.5
United States	2,242,703	16.7	56.6	56.2
Mexico	2,167,805	76.8	85.0	137.4

[1] Unless otherwise noted, 1968, variously reported for April, July, December, and the year.

[2] Early or mid-1969.

[3] 1970.

Source: Census data for 1940, 1950 and 1960 of both Mexico and the United States, and current unofficial population estimates from both countries.

in Tijuana, Mexicali, Ciudad Juarez, and Nuevo Laredo; 11.6 percent in Matamoros; and 42.1 percent in Nogales. If it were not that significant numbers of Mexicans work in the United States, the Mexican figures on underemployment and unemployment would be substantially higher than those reported. The surveys conducted by the Mexican National Minimum Wage Commission indicate that from 4.7 percent to 15 percent of the labor force of the 6 twin cities surveyed work in the United States.

Structure of employment. The economies of the twin cities areas on both sides of the border are dependent upon retail and wholesale trade, agriculture, and services. Manufacturing is also of significance in some of them. Government—Federal, State, and local—is a major employer on the U.S. side. The Mexican border cities are the chief ports for Mexico's international trade. The largest port in terms of volume of customhouse business is Matamoros, with 12.4 percent of all of Mexico's trade. Nuevo Laredo handles 9.8 percent and Reynosa 6.2 percent of this total volume. Together, Tijuana, Mexicali, and Nogales handle 11.8 percent. This activity generates many jobs.

In the Mexican border cities, Piedras Negras is unusual because it has heavy industry, a steel mill, which is a major employer. Most of the industrial employment in the other border cities is light manufacturing using local agricultural and forestry products or imported raw materials and semimanufactured goods. The newer industries (participating in the border program) are concentrated in electronics assembly, apparel, toys and sporting goods, and wood molding. Wages paid in the Mexican border area, while they vary considerably from one municipio to another and from one type of industry to another, are among the highest paid in Mexico.

As on the U.S. side of the border, agriculture is important in the Mexican border area, and migrant workers are employed by large agricultural employers on a contractual basis just as they are in the United States. Whereas cotton was formerly a major crop in the Mexicali area and in Matamoros, there has been a severe cutback recently in cotton acreage in these areas. Cotton producers have moved further south in Mexico. While many agricultural workers in the cotton industry returned to their home bases with this development, large numbers stayed in the border area hoping to find other employment there or to gain entry to the United States.

The industry mix in the border area of the United States is dominated by low skill, low wage employment opportunities. Retail and wholesale trade, service establishments catering both to tourism and import-export activities, and State and local government, tend to pay wages at or near the minimum level. The manufacturing industries which predominate in the border twin cities are generally labor intensive industries such as apparel manufacturing, food processing, light machinery fabricating, and electronic components manufacturing, which also pay low wages. Industry in the San Diego area differs considerably from the rest of the border area, with high-wage shipbuilding, aircraft, ordnance, and electrical machinery industries as major manufacturing employers. An additional factor influencing low wage levels in most of the U.S. border area is the labor surplus stemming from high population growth rates and from the Mexican workers who cross the border to work.

In several of the border twin cities on the U.S. side, small manufacturing industries and businesses have opened up recently, creating new employment opportunities. But these have been insufficient on the whole to make much of a dent in the chronically high unemployment levels. Distance from major suppliers and markets is an inhibiting factor in the creation of a large manufacturing sector in most border locations. The increase in tourist traffic between Mexico and the United States has contributed to a growth in jobs, but those jobs are low paying and provide limited opportunities for the development of skills.

These developments have been insufficient to absorb the number of new entrants to the labor force each year or the number of farm workers in the border area whose agricultural employment opportunities are constantly narrowing. Agriculture, a substantial seasonal employer in many areas of the border, employs fewer people each year on the U.S. side, as mechanization gains in importance and as agriculture changes.

These factors have been of increasing significance in the Lower Rio Grande Valley and other border areas of Texas, where agriculture has been a major employer. The shifting emphasis to cash grain and livestock enterprises (with their relatively low labor requirements) and technological progress (which has been reducing the labor input in all agricultural enterprises, even the most labor intensive ones) have drastically reduced farm employment opportunities over the past decade.

Appraisal of the border area program

The information currently available about the Mexican border industrialization program indicates that (1) the program is growing at a rapid pace and Section 807 imports from Mexico are growing more rapidly than from other parts of the world; (2) some new jobs appear to have been created in U.S. border cities as a result of the program, although these are generally difficult to identify; (3) some displacement of workers has developed in scattered parts of the United States outside the border area; and (4) the program has created new employment opportunities for over 17,000 Mexican workers in the border cities. However, from 67 to 90 percent of the jobs are for young women, and Mexican Government reports indicate that the greatest need for jobs is among young men and male heads of households.

The U.S.-owned firms which have been established in the Mexican border area are generally large employers of women workers even in their U.S. plants. The opportunities of women workers for employment when the plant's operations are shifted to Mexico, or for employment in another location within the United States are often limited. Consequently, the displacement of women employees by such moves may be reflected in a reduced labor force rather than in higher unemployment rates. Sufficient analysis of local labor market conditions in the U.S. localities of

Table 4. Border area labor force and unemployment rates, 1968 annual average and 1969, monthly rates

State and labor market area (County in parenthesis)	Current labor force, December 1969	Unemployment rates												
		1968 annual average	1969											
			Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
California	8,496,000	4.5	5.0	5.5	4.9	4.1	3.9	4.6	4.6	4.5	3.8	3.7	4.4	4.4
San Diego (San Diego)	455,600	3.9	4.1	4.1	4.0	3.3	3.3	4.0	3.9	3.9	3.7	3.4	3.9	4.0
El Centro (Imperial)	35,400	8.1	9.5	9.4	10.9	10.3	7.3	6.7	7.6	7.1	7.6	7.2	8.2	9.6
Arizona	671,100	3.7	3.5	3.5	3.2	2.7	2.4	3.1	3.2	3.0	2.7	2.6	2.8	2.5
Nogales (Santa Cruz)	5,650	[1] 5.7	3.7	3.3	2.8	2.7	2.3	5.5	6.0	6.0	6.0	6.8	6.2	3.1
Southern Arizona (Cochise)	20,625	3.4	3.8	3.3	3.5	2.9	2.8	3.4	3.5	3.2	2.8	3.0	3.3	2.7
Texas	4,650,800	2.7	2.6	2.5	2.4	2.3	2.6	3.6	3.2	2.7	2.6	2.4	2.9	2.5
El Paso (El Paso)	123,250	4.0	3.1	3.2	3.1	3.1	3.4	4.8	3.8	3.8	3.6	4.0	4.5	3.9
Del Rio (Val Verde)	9,670	6.8	7.9	7.6	7.4	7.0	7.0	7.0	7.0	7.3	8.7	9.5	7.1	8.0
Eagle Pass (Maverick)	7,940	9.1	12.5	11.5	11.1	10.7	10.7	9.7	9.6	9.6	9.8	7.9	12.9	15.3
Laredo (Webb)	30,825	9.0	10.8	10.3	10.0	7.2	6.3	8.7	7.5	6.5	6.2	7.2	10.0	10.8
McAllen (Hidalgo)	63,280	5.8	5.2	6.3	4.8	4.6	5.4	6.8	6.5	6.3	5.9	5.9	6.8	6.3
Brownsville-Harlingen-San Benito (Cameron)	48,310	5.8	5.6	6.0	5.5	6.2	6.9	7.8	6.3	5.5	6.3	5.8	6.8	5.7

[1] 6.6 percent after removing Mexican commuter workers from the labor force figure.

Source: State Employment Security Agencies.

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these firms has not yet been made to determine the permanent effects of the changes taking place.

In the U.S. border area, high unemployment levels, decreasing agricultural job opportunities, poor educational levels, and language problems are characteristic of the situation. These characteristics explain why the local communities promote the Mexican border industrialization program, particularly if firms going to the Mexican border area also locate a part of the operation on the U.S. side and create new jobs there.

Considerations: present and future

What are the future employment prospects from the Mexican Border Industrialization Program? It can be expected that, on the Mexican side, the border cities will continue to experience increases in their populations as people from the interior keep migrating northward in search of jobs. High rates of natural population increase also may be anticipated. Unemployment in Mexican cities will likely remain high. Wage rates in the border cities will probably continue to be among the highest paid in Mexico, and employed workers in northern Mexico should experience improved living standards. Education and training facilities in the border cities may have difficulty keeping pace with population growth. Unless the Mexican Government intervenes, unemployment problems of youths and male workers can be expected to worsen and some of the problems will spill over onto the U.S. side.

On the U.S. side of the border, some new jobs may be created in part by the needs of the Mexican border industries for warehouses, customs brokers, and transportation, and by the establishment on the U.S. side of small manufacturing operations related to the Mexican plants of these firms. However, this may be at the expense of the U.S. communities far removed from the border.

There may also be increases in wholesale and retail trade activities stemming from the increasing purchasing power of Mexican citizens. Tourism is expected to increase because of promotional efforts by numerous groups.

Although it is difficult to determine the effects on U.S. employment of the Mexican border industrialization program while the U.S. economy is expanding, reduced growth in the U.S. economy may make displacements more serious. The magnitude of the shift of jobs to Mexico is difficult to determine. What action can the United States Government take to counteract the effect of the loss of jobs to the growth of industries along the Mexican border that produce goods for the U.S. market? What might be the effect of any U.S. action on trade and commerce with Mexico and on the economies of the U.S. communities along the border? What can the two countries do jointly to achieve better levels and conditions of employment and achieve a better standard of living for those citizens of each country who live along the 2,000-mile border? Can this be done without a more fundamental improvement in the economies, living standards, and employment opportunities of the nations as a whole? Would more liberal and open trade policies in Mexico create an improved total climate in this respect? Finally, how can the national policies of the two countries be harmonized so that developments along the border do not cause friction between them?

These are some of the policy questions raised by the Mexican border industrialization program for the United States Government. □

——FOOTNOTES——

[1] To appear in a forthcoming issue of the *Monthly Labor Review.*

[2] Following complaints that Mexico was encouraging U.S. "runaway" plants on its northern border, the Mexican Government reported that it is carefully reviewing applications of foreign firms wanting to participate in the program to make certain that they do not shut down the sources of primary employment in the United States when the firm decides to locate in Mexico.

[3] Resolution 207 on U.S.–Mexico Economic Relations, AFL–CIO *Resolutions,* 186–241, Book 3, 1969.

[4] The countries using a large share of U.S. parts are engaged essentially in the assembly of U.S. products whereas those using a much smaller share of U.S. parts are incorporating these into their own products.

[5] A municipio in Mexico is an administrative unit roughly equivalent to a U.S. county. There are 36 municipios and 24 counties that share the international border between the United States and Mexico.

[6] In the border cities, the labor market area generally encompasses the entire county just as, on the Mexican side, it encompasses the entire municipio. In most of the border counties and municipios, the twin city is the major, and in some cases the only, population center.

[7] *Labor Law and Practice in Mexico,* (BLS Report 240, 1963), p. 64.