

# Maquiladoras

Concept: Maquiladoras

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Description Maquiladoras, or maquilas, are assembly plants originally clustered in northern Mexico along the US border. Now located throughout the country, they are either directly owned subsidiaries or subcontractors of parent firms based in advanced industrialized countries, such as the United States, Japan, or Canada. Also known as export-processing plants, such factories operate in economic enclaves referred to as "free trade zones." The primary function and the distinctive operation of maquiladoras is to assemble products for export to foreign markets after importing key components. Typically, capital investment, upper management, and a range of production services also come from outside Mexico without payment of duties. Maquiladoras produce a variety of goods, including textiles, automotive parts, and electronics.

The development of maquiladoras can be traced back to the 1942 Bracero Program. This bilateral agreement between Mexico and the United States created employment in American agriculture and railroad construction projects for migrant Mexican workers. In 1964, the Kennedy administration cancelled the program. In 1965, seeking to address the resulting unemployment problem, the Mexican Secretariat of Commerce and Industrial Development developed a proposal to provide incentives, including lower labour costs, less stringent environmental standards, and tariff exemptions to encourage foreign firms to move manufacturing operations to Mexico. Called the *Border Industrialization Program* (BIP), this foreign investment program imitated development strategies employed by South East Asian countries.

American multinationals soon began taking up the offer, and the BIP quickly became a cornerstone of Mexico's national economic strategy. In 1972, firms were invited to build maquiladoras throughout Mexico, with the exception of Mexico City, Monterrey, and Jalisco. By 1985, the maquiladora industry was the fastest growing economic sector in Mexico, surpassing oil production and tourism. The industry has continued to grow and today generates over 200 billion dollars in trade between Mexico and other countries annually.

Following the introduction of the North American Free Trade Agreement (NAFTA) in 1994, the industry boomed as tariffs and other trade barriers were reduced. The maquiladora industry currently accounts for the second largest source of tax revenue for the Mexican government, and for 85 percent of all trade between Mexico and the United States. Since the implementation of NAFTA, the number of maquiladoras and people

employed by them has doubled, now totaling over 4,000 factories which employ over 1.2 million people.

Proponents of the maquiladora strategy argue that it is a means of integrating Mexico's developing economy into the global economy. Maquiladoras are a leading source of foreign exchange, with the industry accounting for 45 percent of Mexican exports in 1998. Given the size of the industry, proponents also highlight that maquiladoras are a successful method of domestic job creation, employing Mexican workers in their native country.

Despite their impressive economic performance maquiladoras are a controversial development strategy. Critics argue that by attempting to attract foreign investment by not strictly upholding labour and environmental standards, environmental problems have been exacerbated and social tensions have increased. Many maquiladora workers earn salaries that are unable to fulfill the basic needs of life, causing many workers to live in squalid conditions that are effectively controlled by the maquiladora industry. Employees often work long hours in unhealthy environments and are subject to discriminatory hiring practices. Maquiladoras have also been criticized for harming local environments. Finally, opponents question whether maquiladoras actually provide lasting economic stability. As the industry is dependent upon the firms and economies of other countries, it is hugely volatile, demonstrated by the severe downturn in the maquiladora industry during the US recession between 2000 and 2001. Ultimately, the debate between advocates and critics reveals different development priorities; proponents of maquiladoras focus on economic success, while critics stress the importance of achieving and maintaining social and environmental benchmarks.

Maquiladoras are suggestive of the tension between globalization and autonomy. Increasing interdependence among the economies of different countries, deepened by freer trade, is a key aspect of globalization. That such interdependence can involve the degradation of national labour and environmental standards, even in the case of Mexico where such standards have been enshrined in the Constitution, raises questions about the nature and meaning of autonomy. Moreover, there is considerable debate over the long-term implications of this approach to development because it focuses little on improving workers' training and skills and it attracts short- rather than longer-term, more permanent investment. Through its impact on information flows, globalization has also drawn attention to the negative consequences of the maquiladora industry and increased national and international pressure for its improvement. Finally, maquiladoras raise questions about the nature of individual autonomy, as this free market model of development claims to provide increased individual autonomy, while often actually curtailing the rights and controlling the private lives of workers.

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