



FINANCE FACTS

Understanding State Financial Policy

Maquiladoras

A maquiladora, or “maquila,” is a factory, assembly plant, or similar operation in Mexico specifically designated as a maquiladora by the Mexican Secretariat of Commerce and Industrial Development (SECOFI). Under this program, a maquiladora can access unlimited foreign capital investment and management. Maquilas also receive special customs treatment and can import machinery, equipment, materials, and administrative equipment duty-free. However, these duty-free imports are subject to a bonded guarantee that the goods will not remain in Mexico permanently.

Border Transformation

The maquiladora industry is rapidly turning the border regions into industrial zones. Mexico offers lower labor cost, business-friendly labor laws, and weaker labor unions to American firms looking for a large, competitive labor force. Under the provisions of the U.S.-Mexican Twin Plant Agreement, raw materials can be imported temporarily into Mexico duty-free under the promise of future exportation. Products are assembled, manufactured or both using inexpensive Mexican labor and the finished products are exported back to the United States, where duty is paid only on the added value.

Plant Ownership

While the American firm can locate its “twin plant” anywhere in the United States and its sister plant can be anywhere in Mexico, most plants in Mexico are in border towns to take advantage of the proximity to American markets, suppliers, and certain border trade incentives. The maquiladora sector is Mexico’s number two source of jobs. Almost all maquiladoras are directly or indirectly owned by U.S. firms. About 40 percent of the more than 3,000 maquiladoras are American-owned, and another 47 percent are Mexican-owned subsidiaries of U.S. corporations.

Maquiladora Supplier Program

Although Ciudad Juarez has 300 maquilas and is just 12 miles from the active, well-equipped commercial border crossing and large supply of vacant warehouses in Santa Teresa, New Mexico has seen little growth in maquila-related businesses. To stimulate maquiladora activity in the state, the Economic Development Department created the Maquiladora Supplier Program. The program, administered by the Office of Mexican Affairs (OMA) at EDD, is designed to build on the mandates of the Border Development Act (58-27-1 through 58-27-26 NMSA 1978).

Other New Mexico Efforts

The Office of Mexican Affairs participates in trade-related events in Mexico and the United States, promoting the advantages of establishing a network of vendors in Southern New Mexico to supply the maquiladora industry. The program is intended to increase New Mexico trade with Mexico by helping New Mexico businesses gain contracts as maquiladora suppliers, as well as relocating established maquiladora suppliers to New Mexico to create jobs and increase tax revenues for the state. The state offers relocation incentives to attract maquiladora suppliers, such as industrial revenue bonds, tax incentives, and technology transfer programs with the state’s research institutions.

For More Information:

- *Twin Plant News*: <http://www.twinplantnews.com/whatIs.htm>
- Economic Development Department, Office of Mexican Affairs – <http://www.edd.state.nm.us/index.php?/about/category/Business%20with%20Mexico/>
- U.S. Department of Labor, Bureau of International Labor Affairs, “An Overview of the Maquiladora Program” <http://www.dol.gov/ilab/media/reports/nao/maquilad.htm>