



Legislative Finance Committee

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 Secretary of the Economy. 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 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 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. 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 nearly half are Mexican-owned subsidiaries of U.S. corporations.

Mexico’s manufacturing sector, dominated by maquiladora industry, is Mexico’s number one source of jobs. The value of exports from Mexican maquilas has risen steadily from less than \$200 million in 2009 to more than \$300 million each year since 2011.

Maquiladora Suppliers

Mexico’s maquiladoras import almost all of the parts and materials they use to manufacture products. Most of these supplies, including metal parts, resins and packaging, are provided by U.S. companies. Many of these suppliers are in the Midwest and are under pressure to move closer to their Mexican buyers because of supply chain issues. This is an opportunity for New Mexico to lure more manufacturing to the state.

New Mexico Efforts

The New Mexico Office of International Trade and the New Mexico Border Authority work to increase Mexican trade and foreign direct investment. Both offices promote the advantages of establishing a network of vendors in Southern New Mexico to supply the maquiladora industry. Three-quarters of the Fortune 100 companies worldwide have a presence in the Mexican state of Chihuahua.

For More Information:

- The New Mexico Border Authority website is http://www.nmborder.com/Contact_Us.aspx.
- To learn more about Santa Teresa border development, visit www.nmborderplex.com