



1-1-1991

Social Infrastructure Needs of the Maquiladora Industry: A Proposal for United States Corporate Contributions.

Rodolfo Villalobos

Bruce B. Barshop

Follow this and additional works at: <https://commons.stmarytx.edu/thestmaryslawjournal>



Part of the [Environmental Law Commons](#), [Health Law and Policy Commons](#), [Immigration Law Commons](#), [Jurisprudence Commons](#), [Law and Society Commons](#), [Legal Ethics and Professional Responsibility Commons](#), [Military, War, and Peace Commons](#), [Oil, Gas, and Mineral Law Commons](#), and the [State and Local Government Law Commons](#)

Recommended Citation

Rodolfo Villalobos & Bruce B. Barshop, *Social Infrastructure Needs of the Maquiladora Industry: A Proposal for United States Corporate Contributions.*, 22 ST. MARY'S L.J. (1991).

Available at: <https://commons.stmarytx.edu/thestmaryslawjournal/vol22/iss3/6>

This Article is brought to you for free and open access by the St. Mary's Law Journals at Digital Commons at St. Mary's University. It has been accepted for inclusion in St. Mary's Law Journal by an authorized editor of Digital Commons at St. Mary's University. For more information, please contact egoode@stmarytx.edu, sfowler@stmarytx.edu.

**SOCIAL INFRASTRUCTURE NEEDS OF THE MAQUILADORA
INDUSTRY: A PROPOSAL FOR UNITED STATES
CORPORATE CONTRIBUTIONS**

RODOLFO VILLALOBOS*
BRUCE B. BARSHOP**

I. Introduction.....	701
II. Mexico — A Backdrop.....	702
III. Mexico's Effort To Restructure The Economy And Industrialize.....	703
IV. The Maquiladora Industry — A Precursor Free Trade Agreement Between the United States and Mexico	705
A. The Mexico Perspective.....	705
B. The United States Perspective	705
C. The Maquiladora Industry — A Closer Look	706
V. Maquiladoras — Infrastructure and Border Development	707
VI. The United States-Mexico Fund For Development, Inc. .	711

I. INTRODUCTION

The industrial, economic and social development of the United

* B.S. in Biology and Chemistry 1974, University of Texas at El Paso, M.A. in Spanish and Spanish-American Literature 1978, University of California, Irvine, J.D. 1981, University of California Hastings College of Law, Fulbright Law Scholar, Master of International Development and Education, Harvard University 1983, Fellow of the American Center for International Leadership 1987, Racine, Wisconsin. Mr. Villalobos served as Assistant to the Governor of Texas for Texas — Mexico Affairs from 1987 to 1989. Currently, Mr. Villalobos is president of United States-Mexico Fund for Development, Inc.

** Bruce B. Barshop received his undergraduate degree from Princeton University and his law degree from the University of Texas School of Law. Mr. Barshop is a director and shareholder of the San Antonio law firm of Smith, Barshop, Stoffer & Millsap, Inc. He is a member of the Mexican Law Committee of the ABA and has served on the Texas-Nuevo Leon Bi-State Regional Commission and on the Steering Committee of the U.S.-Mexico Border Governors Conference.

The authors wish to acknowledge the assistance of Ms. Margaret Corning Boldrick of the law firm of Smith, Barshop, Stoffer & Millsap, Inc. in the preparation of this article.

States-Mexico border, to be successful, will depend more and more on new approaches and innovative contributions from both public and private sectors in both countries. The purpose of our note is to provide a brief account of the economy and infrastructure needs of Mexico in general and of the United States-Mexico border in particular, emphasizing the pressing demands on border communities for social infrastructure projects principally in areas such as housing, water supply and health. A.W. Clausen, former president of the World Bank, has observed that "the role of the private sector in development is probably the least discussed of all major development issues".¹ Our objective is to focus attention on the emerging private sector role in the provision of financing for social infrastructure projects along the United States-Mexico border, and the means by which such contributions can be made.

II. MEXICO — A BACKDROP

Mexico, the United States' third largest trading partner following Japan and Canada,² is recovering from a very difficult economic period that began in the early 1980's. The challenges that Mexico has faced and is facing are enormous. In spite of recently completed debt renegotiations, Mexico's debt servicing obligations continue to absorb a large portion of available resources. Service of Mexico's multibillion dollar debt, together with the necessary adoption by the Mexican government of a stringent fiscal policy, is making it especially onerous to allocate scarce resources to critical infrastructure needs. Some of the extraordinary challenges facing Mexico and some of the current approaches to solving some of the problems were noted last October by President Salinas de Gortari in his Address to a Joint Session of the United States Congress:

To the backlogs already accumulated has been added almost a decade of economic stagnation and a 50 per cent drop in the population's living standards. My nation is required to meet the demands of 85 million Mexicans; despite the drop in population growth there will be 10 million more in the next five years. This means the need for more food, urban services, housing, education, [and] a clean environment. . . .

1. G. ROTH, *THE PRIVATE PROVISION OF PUBLIC SERVICES IN DEVELOPING COUNTRIES*, xiii (1987).

2. Drucker, *Mexico's Ugly Duckling — The Maquiladora*, *Wall St. J.*, Oct. 4, 1990 at A20, col. 3.

1991] *SOCIAL INFRASTRUCTURE NEEDS OF MAQUILADORA* 703

Every year a million young people will enter the employment market. . . . Over the last seven years Mexicans have made enormous sacrifices. During that period we could not count on external flows of financing; oil revenues dropped by an amount equivalent to 6 percent of the GDP [Gross Developmental Product]; the terms of our trade evolved negatively; excessive indebtedness became one of the most significant obstacles to development; we suffered devastating earthquakes and natural disaster. . . . Mexico has put its public finances on a sound footing with an effort equivalent, in relation to the GDP, to more than three times the size of the Gramm-Rudman Amendment.³

III. MEXICO'S EFFORT TO RESTRUCTURE THE ECONOMY AND INDUSTRIALIZE

President Carlos Salinas de Gortari, in response to the difficulties that Mexico faces in a world of rapidly changing events, is implementing as a matter of the highest priority a strategy of modernization and liberalization of the Mexican economy. The Mexican government has privatized more than 750 public enterprises, promoted the sale of public utilities, deregulated such areas as telecommunications and transportation, reestablished private-sector banking,⁴ lowered the increase in its consumer price index from 160% to less than 20%, simplified foreign investment procedures, and promulgated new regulations for foreign investment.⁵ Mexico's economic policies are moving rapidly in the direction of improving and expanding trade arrangements and the promotion of Mexican exports. When Mexico joined the General Agreement on Trade and Tariffs (GATT)⁶ in 1986, duties of over 100% on foreign products were not uncommon, contrasting today

3. Address by the President of Mexico, Carlos Salinas de Gortari, to the Joint Session of the Congress of the United States of America at 6 (October 4, 1989) (copy on file with St. Mary's Law Journal).

4. Mexico had never reversed a nationalization in its history.

5. Sanderson & Hayes, *Mexico — Opening Ahead of Eastern Europe*, HARV. BUS. REV., Sept.-Oct. 1990, at 40.

6. GATT was originally signed by 23 countries in January of 1948. The GATT is an international contract establishing rights and obligations among the signatories. It promotes trade by eliminating restrictions and reducing tariffs through a process of multilateral negotiation. The GATT also constitutes a framework for the establishment of national trade policies. Mexico has been a participant in the GATT since its Senate-ratified entry into the GATT on November 6, 1986. In addition to benefitting from tariff concessions negotiated since GATT's founding, Mexico also benefits from dispute settlement procedures and more favorable treatment on the ground of Mexico's developing status.

with duties in many cases no higher than 10%.⁷ Mexico has been supportive and active in the negotiations of the Uruguay Round,⁸ and has embarked on a policy of elimination of subsidies and lowering of trade barriers. In addition to GATT, which is a multilateral trading arrangement, a "supplemental," bi-lateral United States-Mexico Free Trade Agreement (FTA) is now being vigorously sought by both countries with a view toward the eventual creation of a North American Free Trade Area to include at least the United States, Mexico and Canada.⁹ The addition of a United States-Mexico FTA to the United States' existing FTA with Canada serves as a precursor for a free trade area for the entire hemisphere, as other Latin American countries follow Mexico's lead. Indeed, President Bush's Enterprise Initiative for the Americas, announced in August of 1990, is a clear statement by the current administration of its desire to see such a result achieved over the long term. The United States-Mexico Free Trade Agreement will be a very valuable tool in the development of FTAs between the United States and other Latin American countries. The Mexican economy has thus undergone substantial changes in a short period of time. An observer of these changes could restate Calvin Coolidge's adage and note that for President Salinas the "business of Mexico is business."¹⁰

7. Testimony of Ambassador Julius Katz, Deputy Assistant United States Trade Representative, at a Hearing on United States economic policies, by the Joint Economic Committee of the United States Congress (September 17, 1990).

8. The GATT has seen seven Multilateral Rounds of trade negotiations that have contributed to the reduction of tariffs and to the liberalization of international trade. The Uruguay Round is the eighth Round of Multilateral Trade Negotiations and the principal goal is to further liberalize international trade. It deals with areas such as services, intellectual property, and investment measures related to trade.

9. Weintraub, *The North American Free Trade Debate*, 13 THE WASHINGTON QUARTERLY, No. 4 at 119 (1990). A United States-Mexico FTA raises numerous concerns that will presently need to be addressed such as: the effect of an FTA on disparate economies with very different wages rates and an eleven to one income ratio; sectoral analyses will need to be concluded in consultation with affected sectors in both countries to make a determination of the problems involved; as David Mulford, Assistant Secretary of the United States Treasury for International Affairs, has indicated, a sober assessment will have to be made.

10. J. BARTLETT, FAMILIAR QUOTATIONS 736 (15th ed. 1980) ("[t]he chief business of the American people is business").

IV. THE MAQUILADORA INDUSTRY — A PRECURSOR FREE
TRADE AGREEMENT BETWEEN THE UNITED STATES
AND MEXICO

A. *The Mexico Perspective*

For over twenty years the maquiladora program has been an integral part of Mexico's efforts to promote capital formation, employment and industrialization.¹¹ This industry came into existence in the aftermath of the Bracero program in 1964,¹² and was an attempt by the Mexican government to provide jobs for Mexican workers returning home from the United States. In 1965, Mexico modified its foreign investment law to permit United States companies to establish assembly plants, "maquiladoras," in Mexican territory.¹³ These regulations allow foreign manufacturers to import into Mexico, duty free, the materials and components required to assemble or manufacture a product for subsequent re-export to the country of origin, most often the United States, or to a third country. Maquiladoras are often called "in-bond assembly plants" because the Mexican government requires establishment of a bond to ensure that an item imported under the maquiladora program will be subsequently exported. This export requirement is an example of Mexico's former long-standing protectionist attitude toward its economy.

B. *The United States Perspective*

The United States has in turn adopted trade law provisions that have stimulated American investment in the Mexican maquiladora industry and enhanced United States corporate competitiveness in international trade. These trade law provisions, previously known as tariff items 806.30 and 807.00 of the United States Customs Code and renumbered as HTSUS subheadings 9802.00.60 and 9802.00.80, allow the duty-free reentry into the United States of goods assembled in

11. See Einstein, *Promising Developments in Technology Transfer and Intellectual Property Protections in Mexico*, 6 NEWSLETTER OF THE INT'L LAW SECTION, (State Bar of Texas), No. 3, at 10 (April 1990) (multinational business emerged in Mexico in 1960's). See generally Ehrental & Newman, *Explaining Mexico's Maquiladora Boom*, 8 SAIS Review No. 1, at 189-211 (Winter-Spring 1988) (discussing development of maquiladora industry).

12. This was a joint United States-Mexico program, from 1951 to 1964, that provided Mexican laborers with temporary permits, issued by the United States Department of Labor, to work in agriculture in the United States. See Note, *An Investors' Introduction to Mexico's Maquiladora Program*, 22 TEX. INT'L L.J. 109, 113 (1986).

13. *Id.*

another country (i.e. Mexico) from materials and components of United States origin. Currently, when assembled goods cross the border into the United States only those components which are not of United States origin and the total "value added" (primarily the cost of Mexican labor) are subject to United States customs duty. United States corporations have undoubtedly benefitted in numerous ways from the maquiladora program, principally from lower wages and transportation costs which lower the total cost of manufacture which, in turn, broaden markets for United States products by lowering the costs of goods for consumers.

C. *The Maquiladora Industry — A Closer Look*

The maquiladora industry, mostly concentrated in metropolitan areas along the United States-Mexico border¹⁴ and to a more limited extent in the interior of Mexico,¹⁵ has been one of the fastest growing sectors of the Mexican economy. The industry continues to exhibit strong growth rates. However, the current growth demonstrates a trend toward deceleration when contrasted to the maquiladora "boom" years of 1983-1988, when the average annual rate of growth was 25.4%.¹⁶ CIEMEX-WEFA's maquiladora analysis indicates that during 1989: (i) there were 1655 maquiladora plants (the number of plants totaled 1857 at the end of February 1990); (ii) the industry's manufacturing output of assembled goods equaled \$12.5 billion; (iii) maquiladora employment reached an average level of 429,725 workers; (iv) Mexican value added increased to a level of \$3.06 billion; (v) the value of raw materials processed by maquiladoras totaled \$9.6 billion; and (vi) it is estimated that in 1989 the maquiladora wage rate,

14. CIEMEX-WEFA, *Maquiladora Industry Analysis*, Vol. 3, No. 2, at 32 (May 1990). According to CIEMEX-WEFA (Centro de Investigaciones Econometricas Mexicano — Wharton Econometric Forecasting Associates), the maquiladora industry continues to be located predominantly in the Mexican border states with 92% of maquiladora employment. *Id.* In 1989, the states of Chihuahua, Baja California Norte, and Tamaulipas had the highest concentration of maquiladora operations. "Together, these states constitute over 80% of the industry's production (over 76% of the industry's employment), with Chihuahua's share in production being the largest, 33% (38.6% employment), followed by Baja California Norte, with 24.8% (19.9% employment) and finally Tamaulipas, with almost 30% (17.8% employment)." *Id.*

15. *See id.* at 32-33. The proportion of maquiladoras located in the interior of Mexico has been rising slowly. In 1980, the proportion of plant operations in non-border city locations was 10.9% in terms of employment; in 1989, this proportion increased to 21%. *Id.*

16. *Id.* at 28.

1991] *SOCIAL INFRASTRUCTURE NEEDS OF MAQUILADORA* 707

including benefits, averaged \$1.62 per hour.¹⁷

The analysis of the maquiladora industry in the 1980's, by CIEMEX-WEFA, shows the enormous importance of the maquiladora program to Mexico's industrial and economic development.¹⁸ This study indicates that in terms of foreign exchange generation for the country, maquiladoras are ahead of tourism and are second only to petroleum exports.¹⁹

The United States-Mexico maquiladora partnership has developed a dynamic industry whose substantial contributions to the national economy²⁰ are helping Mexico recover from its unprecedented financial crisis. Today, this industry's trend is toward manufacturers that require higher technology and skill levels as well as larger capital-intensive plants. The maquiladora sector is an important contributor to United States-Mexico bilateral trade, which was expected to reach \$60 billion in 1990.²¹

V. MAQUILADORAS — INFRASTRUCTURE AND BORDER DEVELOPMENT

The rapidly expanding and evolving maquiladora industry is an integral component of competitiveness for United States corporations, for whom considerations such as total cost of doing business are of paramount importance. The maquiladora program, in turn, has undoubtedly provided substantial benefits to the Mexican economy, and has been at the core of the industrial and socio-economic development of the United States-Mexico border states. Indeed the benefits of the Maquiladora Program have been recognized by many individuals, including the ten governors of the United States-Mexico border states.²² The industrial development of the region has been actively promoted

17. CIEMEX-WEFA, *Maquiladora Industry Analysis*, Volume 3, No. 3, at 23-25 (May 1990).

18. *Id.* at 24 (table describing impact of maquiladora industry, reprinted in Appendix B).

19. *Id.* at 31.

20. *Id.* at 30 (table describing contributions of maquiladora industry to Mexican national economy, reprinted in Appendix C).

21. *Mexico and the United States Move Closer to Free Trade Agreement*, MEXICO ECONOMIC NEWSLETTER, Fall 1990, 1,3.

22. On the initiative of Gov. William P. Clements of Texas, the governors of the states of California, Arizona, New Mexico and Texas are meeting once a year with their counterparts from the Mexican States of Tamaulipas, Nuevo Leon, Coahuila, Chihuahua, Sonora and Baja California to discuss a border agenda that includes such issues as: maquiladoras, industrialization, infrastructure, border crossings, the environment, tourism and education. The United

with rare bi-national zeal and cooperation by the private and public sectors. Border development has been successful to the extent that Mexican border states have been able to provide the supportive infrastructure services that foreign corporations require. These services include: electricity, water, sewage, paving, fuel, telephone, telex, rail spurs and services, port facilities, and housing. Industrial parks have played an indispensable role in satisfying many of the corporate demands for adequate infrastructures and they have contributed substantially to the success of the Maquiladora Program. However, the growth and development which has come to the border region, traditionally one of the poorest regions of both the United States and Mexico, along with its beneficial multiplier effect, is presently being threatened by the straining and growing infrastructure demands on the border region.

The maquiladora industry brought an exponential influx of business to the border. However, future development, in light of increased demands resulting from a Free Trade Agreement between the United States and Mexico, will require substantial investment in border infrastructure projects if huge bottlenecks are to be prevented. To be sure, Mexico compares favorably in terms of infrastructure with other developing countries (Singapore, South Korea and Thailand) that compete in the world market for production-sharing industries. However, during the period from 1982-1989 there has been a substantial drop in public sector investment in urban infrastructure. Lack of investment funds for border infrastructure projects is explainable, to a large extent, by a lack of capital in the Mexican economy which in turn places Mexico's competitive position at risk. Inadequate infrastructure constitutes a barrier for further maquiladora growth in the border region because it increases the total cost of doing business on the border. A recent study indicates that to adequately support the border industries, an investment of approximately \$9.1 billion is required to cover current border infrastructure demands as well as the border's infrastructure needs for the next ten years.²³

The maquiladora industry is of fundamental importance to the

States-Mexico governors have also sponsored numerous maquiladora conferences to make the business community aware of business opportunities in this industry.

23. *Estudio Para la Determinación de las Necesidades de Infraestructura en la Zona Norte de México*, Enrique Villareal Vallina y Asociados, S.C., Consultores, Chihuahua, Chihuahua, México, 1990, o.i.

1991] *SOCIAL INFRASTRUCTURE NEEDS OF MAQUILADORA* 709

Mexican economy; therefore, upgrading the border's infrastructure is of paramount importance to an industry that provides substantial foreign capital to the Mexican economy. The Mexican government will undoubtedly consider making a very substantial investment in border infrastructure, perhaps from revenues received as a result of the current increase in oil prices created by the Persian Gulf crisis. One thing is quite clear; investment in Mexico's physical infrastructure can no longer be delayed if Mexico is going to be successful in attracting the foreign capital that it needs for development.

Mexico's resources for traditional physical infrastructure projects are scarce, largely because Mexico spends approximately \$8 billion a year on its international creditors,²⁴ while its infrastructure needs remain very substantial. In addition, the social infrastructure demands of the border have been neglected with the border "boom." Current socio-economic infrastructure needs, such as housing, water supply, health and education, have been intensified by rapid industrial growth and fueled by increasing requirements of United States corporations expanding into Mexico. While the border has experienced tremendous economic growth, much of its urban labor force is experiencing limited social development or improvement in its standard of living.

Numerous evocative articles have described border growth with ambivalent phrases such as: "From Tijuana to Matamoros, United States factories have brought jobs—and social chaos—to Mexico."²⁵ The pressing social problems of the border communities that have helped corporations doing business in Mexico achieve global competitiveness and financial success must be the focus of much greater attention by both the public and private sectors if the production-sharing partnership between the United States and Mexico is to continue in the border region.

President Salinas, in his address to the United States Congress, indicated his paramount concern for the social welfare of his nation's underclass:

Mexico must grow, create well-paid jobs and forge a new spirit of solidarity. . . . The well-being of the people is the higher purpose of my administration. This is why we have undertaken an all-out struggle against extreme poverty through a National Solidarity Program, whose

24. *The New Model Debtor*, THE ECONOMIST, October 6, 1990, at 85-86.

25. Tolan, *The Border Boom, Hope and Heartbreak*, THE NEW YORK TIMES MAGAZINE, July 1, 1990, at 17.

objective is to deal with the social demands of the neediest, gradually consolidate the productive capacity of the poorest groups and promote their full incorporation into the benefits of progress. In Mexico, today, the government works more for those who have the least.²⁶

As President Salinas restructures, deregulates and modernizes Mexico's economy into a more open market economy, the heretofore undiscussed issue of corporate social responsibility is surfacing in Mexico's dialogue. At a recent national conference, the president of the powerful Mexican Private Sector Confederation, Mr. Jorge Ocejo Moreno, noted that the Mexican private sector was looking for an economic mode that could operate with a sense of social responsibility; adding, "the Mexican private sector has never retrenched from its social responsibility. . . it is not enough to promote the welfare of their employees; it is necessary to pay attention to the development of their personal welfare and to contribute to the betterment of business."²⁷

Important business publications have encouraged the private sector to become aware of its social responsibility and become social reformers, while promoting the market system as the best alternative to solve the problem of abject poverty, inequality and underdevelopment.²⁸ Similarly, there is a need for a mechanism to facilitate investment of United States corporate and institutional dollars in Mexican communities where United States corporations are doing business. There are more than 2800 corporations doing business in Mexico, many of them are "Fortune 500," blue-chip firms. The United States corporate philanthropy mechanism is "one of America's best-kept secrets."²⁹ Over the last several years, while government funding of social services had decreased, corporate America has quietly donated billions of dollars to charitable organizations and programs.³⁰ In the United States contributions to not-for-profit organizations are tax deductible and provide substantial sums, \$114.7 billion dollars in 1989, to projects which are important to community efforts and a proper corporate im-

26. See Presidential Address *supra*, note 3, at 8.

27. Proceedings of the National Congress of Economic Liberty and Social Justice, Implications of a Social Market Economy for Mexico, *Editorial Comercial Ibero-Americana*, Mexico, D.F., pp. 21, 28.

28. *Responsabilidad Patriótica de los Empresarios, Negocios y Bancos*, Mexico D.F., January 15, 1990, pp. 3, 5.

29. *Private Profit Public Gain: Corporate Philanthropy in America*. THE ATLANTIC, September 1990, at 4.

30. *Id.*

1991] *SOCIAL INFRASTRUCTURE NEEDS OF MAQUILADORA* 711

age.³¹ The new era of cooperation and friendship described by President Salinas in his address to the Joint Session of the United States Congress will require effective contributions from the public and private sectors in both the United States and Mexico.

Mexico's current social infrastructure needs, especially along the United States-Mexico border, have been intensified by rapid industrial growth and fueled by requirements of United States corporations expanding into Mexico. Mexico's gradual recovery from an unprecedented economic crisis has made it quite difficult for the highly centralized Mexican federal government to allocate scarce public resources to pressing social infrastructure projects.

VI. THE UNITED STATES-MEXICO FUND FOR DEVELOPMENT, INC.

Presently, United States corporate contributions given directly to non-profit organizations in Mexico to finance social projects are not tax deductible contributions in the United States. Thus, United States companies do not have a current tax incentive to directly involve their corporations in helping to finance socio-economic development projects in Mexico. Corporations doing business along the border and in Mexico, therefore, need a mechanism for reinvesting part of their profits back into the communities that have helped them achieve global competitiveness and financial success. Once this mechanism is in place, it could generate substantial capital investment for socio-economic development projects in Mexico. To date, there has not been a coordinated effort, nor is there an available structure, to involve the United States business community in the financing of such infrastructure projects in Mexico.

The creation of the United States-Mexico Fund For Development, Inc. (Fund) directly addresses these needs. The Fund, a United States private, not-for-profit corporation, tax-exempt under an IRS letter ruling, can be a practical, effective, accountable and rapidly available mechanism for allowing United States individuals and corporations doing business in Mexico to participate in the financing — via tax-deductible corporate contributions³² — of specific and urgently

31. Wall St. J., Oct. 11, 1990, at 1, col. 5.

32. See *Bilingual Montessori School of Paris v. Commissioner*, 75 T.C. 480, 485 (1980) (Delaware Corporation operating in France qualifies as tax exempt and can receive deductible contributions); see also Rev. Rul. 69-80, 1969-1 C.B. 65 (domestic commercial corporation

needed projects in Mexican and border communities where United States-based corporations operate. The Fund has a distinguished binational board of advisors and the support of both the Mexican and United States governments. This unique organization could facilitate the contribution of substantial amounts of much needed capital to development projects along the border and in Mexico.³³ Moreover, this investment could also serve to stimulate economic development by creating primary and secondary jobs, and assets, as well as stimulating capital formation in Mexico. For example, income from a trust established with corporate and institutional contributions to build housing brings in new money, provides employment through construction and operations, and satisfies a critical and basic community need. This concept is in the best interest of the United States and Mexico, as well as of the individuals and corporations doing business in both countries, and thus creates a win-win situation for all concerned. The United States-Mexico Fund For Development, Inc. will encourage governmental, corporate, institutional, and private contributions in ways that make sense to the private sector and communities to help ensure a positive environment for the general corporate work force and to promote good will between both countries.

entitled to charitable contribution deduction for unrestricted contribution to domestic charitable corporation even though used in foreign country); *accord* Rev. Rul. 66-79, 1966-1 C.B. 48; Rev. Rul. 63-252, 1963-2 C.B. 101.

33. A possible mechanism for increased infrastructure investment that could be facilitated by the Fund is the "debt-for-development swap," whereby the U.S. owners of Mexican debt selling on the market at a discount to face value could make contributions of that debt, which would be used in turn to fund development projects at a possible premium over discounted value. *See* Porche, *Debt for Development*, in *BUSINESS MEXICO*, Vol. VI, No. 4 (Dec. 1989).

1991] *SOCIAL INFRASTRUCTURE NEEDS OF MAQUILADORA* 713

APPENDIX A
INTERNATIONAL WAGE COMPARISON FOR PRODUCTION
WORKERS, BENEFITS INCLUDED
(DOLLARS PER HOUR)

	<u>1981</u>	<u>1983</u>	<u>1986</u>	<u>1989</u>
NORTH AMERICA				
MEXICO	1.85	1.03	0.94	1.39
Maquiladora Sector (direct labor & technicians)				
CANADA	9.22	10.85	11.00	14.71
UNITED STATES	10.84	12.10	13.21	14.31
ASIA				
TAIWAN	1.18	1.27	1.67	3.43
KOREA	1.08	1.23	1.46	3.57
HONG KONG	1.51	1.52	1.89	2.85
SINGAPORE	1.79	2.21	2.23	3.09
JAPAN	6.18	6.13	9.31	12.68
EUROPE				
PORTUGAL	2.04	1.62	2.08	2.77
GREECE	3.66	3.76	4.07	5.22*
SPAIN	5.62	4.64	6.43	8.81*
UNITED KINGDOM	7.20	6.39	7.54	10.48
FRANCE	8.02	7.74	10.27	12.75
THE NETHERLANDS	9.91	9.49	12.63	15.33
W. GERMANY	10.53	10.23	13.29	17.53

* Data are for 1988

Source: Except for Mexico, data for all countries are U.S. Department of Labor estimates.

APPENDIX B
MAIN INDICATORS OF THE MAQUILADORA INDUSTRY
1988 - 1989

	<u>1988</u>	<u>1989</u>	<u>% Change</u>
PLANTS (number)	1,396	1,655	18.6
GROSS PRODUCTION (billion dollars)	10.15	12.50	23.2
EMPLOYMENT (thousands)	369.5	429.7	16.3
MEXICAN VALUE ADDED (billion dollars)	2.34	3.06	30.7
IMPORTED RAW MATERIALS (billion dollars)	7.81	9.45	20.9
AVERAGE WAGE, INCLUDING BENEFITS (dollars per hour)	1.36	1.62	18.7

* Reprinted with permission from CIEMEX-WEFA, Maquildora Industry Analysis (May 1990).

1991] *SOCIAL INFRASTRUCTURE NEEDS OF MAQUILADORA* 715

APPENDIX C
THE MAQUILADORA INDUSTRY AND THE NATIONAL
ECONOMY 1980, 1985, 1989

	<u>1980</u>	<u>1985</u>	<u>1989</u>
EXTERNAL SECTOR			
(billion dollars)			
Petroleum Export Revenue	9.45	13.31	7.29
Maquiladora Foreign Exchange Surplus	0.77	1.27	3.06
Tourism Revenues (net)	0.63	1.06	1.44
CURRENT ACCOUNT			
(billion dollars)			
Total	-10.74	1.24	-5.45
Without Maquiladora Surplus	-11.51	-0.03	-8.51
EMPLOYMENT			
(thousand workers)			
Total Formal Employment	20,280	21,970	22,155
Total Manufacturing Employment	2,441	2,451	2,512
Maquiladora Employment	119.5	212.0	429.7
%Share Maquiladora in Formal Employment	0.6%	1.0%	1.9%
%Share Maquiladora in Manufacturing Employment	4.9%	8.6%	17.1%
PRODUCTION			
(billion dollars)			
Gross Domestic Product	194.8	184.4	201.4
Manufacturing Sector Production	43.1	43.1	49.5
Mexican Value Added, Maquiladora Ind.	0.77	1.27	3.06
%Share Maquiladora in Gross Domestic Product	0.4%	0.7%	1.5%
%Share Maquiladora in Manufacturing Production	1.8%	2.9%	6.2%
MEXICAN RAW MATERIALS			
(billion dollars)			
Total Raw Materials Processed by the Maquiladora	1.78	3.85	9.60
%Foreign	98.3%	99.2%	98.4%
%Mexican	1.7%	0.8%	1.6%
Border			
%Foreign	99.17%	99.31%	98.99%
%Mexican	0.83%	0.69%	1.01%
Interior			
%Foreign	90.05%	96.90%	95.04%
%Mexican	9.95%	3.10%	4.96%

* Reprinted with permission from CIEMEX-WEFA Maquiladora Industry Analysis (May 1990).