AMERICAN UTILIZATION OF THE MEXICAN BORDER INDUSTRIALIZATION PROGRAM

INTRODUCTION

This comment will illustrate the utilization by United States industry of the Mexican Border Industrialization Program. The Border Industrialization Program is an attempt by the Mexican government to solve the problem of high unemployment of their people along the United States-Mexico border while protecting their domestic industry. Under this program an abundant supply of labor is available whereby United States industry, by locating plants within Mexico along the border, may utilize the program and provide employment for the Mexican worker. Raw materials may be imported duty free into Mexico where they are assembled into a product which is then exported from the country thereby not affecting Mexico's domestic market. The exported product may be then further perfected or marketed as a salable product.

Specifically, this comment is concerned with the events leading to the evolution of the Mexican Border Industrialization Program. The already existing legislative means that are employed by United States industry in order to facilitate such an operation are analyzed. Finally an analysis is presented as to the benefits derived by Mexico and the United States through the utilization of that program.

BACKGROUND ON MEXICAN TRADE POLICY AND EVENTS EFFECTING THE EVOLUTION OF THE MEXICAN BORDER INDUSTRIALIZATION PROGRAM

Mexico's trade policy reflects a desire by the Mexican government to meet the high unemployment problems and to promote its domestic industry. The policy of import substitution emphasizes industrialization. Import substitution restricts the issuance of import licenses on those products produced domestically.[1] Thus Mexico's domestic market is given to its own industry to the extent of domestic capacity with the goal of self-sufficiency.[2] There is evidence that import substitution has worked. In recent

1. U.S. Dep't of Commerce, Overseas Business Reports 69-16, *Foreign Trade Regulations of Mexico* 1 (1969).

2. U.S. Dep't. of Commerce, Industrial and Employment Potential of the United States-Mexico Border 265 (1968).

years Mexican imports of consumer goods have declined while imports of supplementary goods, raw materials and components have been of major importance.[3]

Mexico, with an estimated population of 49 million in 1969, has an alarming current annual rate of growth of 3.6%.[4] This is the highest rate of growth of any major country in Latin America.[5] Thus the population of Mexico provides a potentially huge internal market, yet the domestic purchasing power does not adequately support mass consumption of Mexican products.[6]

In 1960 fifty-one percent of the population was concentrated in the urban areas.[7] The continual migration from the rural farm areas has pushed the current urban population to about sixty percent of the total population.[8] In 1968 the agricultural sector of the economy grew by only 4% while the manufacturing and fuels advanced more rapidly with increases from 6 to 9 percent above 1967 levels.[9] The average annual rate of increase in the gross national product (GNP) from 1950 through 1968 was more than 6% after adjustment for price changes.[10] More than half of the economically active population is engaged in agriculture.[11] Yet less than 20 percent of the GNP comprises agricultural production.[12] In spite of the high rate of growth in the GNP, the annual per capita income of the rural population is approximately $125 and the annual per capita income of the average urban dweller is about $650.[13] The existence of the great mass of poverty in the rural areas, which are noticeably lacking in jobs, is one reason for the flight of the worker and his family to the northern border area

3. *Foreign Trade Regulations of Mexico, supra* note 1.

4. Business Week, July 12, 1969, at 121.

5. U.S. News & World Report, July 1, 1968, at 78.

6. Industrial and Employment Potential of the United States-Mexico Border, *supra* note 2, at 266.

7. U.S. Dep't. of Commerce, Mexico: A Market for U.S. Products vii (1966).

8. Business Week, July 12, 1969, at 121.

9. U.S. Dep't. of State, Pub. No. 7865, *Background Notes*: Mexico 4 (June 1969).

10. *Id.* at 3. In 1969 the economy of Mexico increased by 6.4% from 1968 levels. San Diego Union, July 26, 1970, § B (Local News), at 23, col. 5.

11. U.S. Dep't. of Commerce, Overseas Business Reports 68-43, *Establishing a Business in Mexico* 12 (1968).

12. U.S. Dep't. of State, Pub. No. 7865, *Background Notes*: Mexico 4 (June 1969).

13. *Id.*

and the resulting rapid growth of the Mexican border cities.[14] The attraction of employment and higher wages, not offered in the rural areas, has had an impact on the border areas. As a result of this migration and the high birth rate, the northern border area is expected to have the highest rate of population growth of any region in Mexico with an average annual increase for the 1960's of 5.7%.[15]

The northern border area encompasses a twelve and a half mile deep area along the two thousand mile United States-Mexico border. In an effort to rehabilitate the border towns and bring them actively within the Mexican economy with a resultant reduction of their dependence on the United States as a source of supply, the Mexican government in 1961 announced the Programa Nacional Fronterizo (PRONAF: National Border Program). PRONAF is a subsidy program promoting import substitution within the border area and increasing the sale of domestic products to tourists in the Mexican border cities.[16] The transportation of Mexican products manufactured in the central area of the country to the northern area is subsidized under PRONAF. PRONAF also makes governmental investments for the development of the border area industry.[17]

Though PRONAF achieved great success in increasing sales in the border area from June 1961 to December 1966 and was an influencing factor in the 48% increase in tourist spending, it could not keep pace with spreading unemployment in the area.[18] The termination of the *Bracero* program[19] by the United States in 1965 contributed to the already high unemployment rate of the area. Under the *Bracero* program[20] as many as 400,000 Mexicans were permitted to enter the United States for seasonal agricultural work.[21] Upon the termination of the *Bracero* program many of the Mexican workers decided to remain in the border area rather than go

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14. Industrial and Employment Potential of the United States-Mexico Border, *supra* note 2, at 267.

15. Report of the Select Commission on Western Hemisphere Immigration 179 (1968) U.S. Government Printing Office.

16. H. Walker, Jr., *Border Industries with a Mexican Accent*, 4 COLUM. J. WORLD BUS. 25, 26 (1969) [hereinafter cited as Walker].

17. Industrial and Employment Potential of the United States-Mexico Border, *supra* note 2, at 23.

18. Walker, *supra* note 16, at 27.

19. Act of Dec. 13, 1963, Pub. L. No. 88-203, 77 STAT. 363.

20. 7 U.S.C. § 1461 (1964).

21. Walker, *supra* note 16, at 27.

back to the even harsher economic conditions in the interior of Mexico.[22]

The rapid development of a semi-industrialized state in Mexico was inadequate to provide the needs of the people in the border area. As a result, further change in the Mexican Trade Policy as it affected the border area was impelled. Import substitution while effective in other regions of Mexico was not effective in the border area since it did not adequately fulfill the employment needs of the worker. The need for greater capital expenditures could not be met by PRONAF.

Early in 1966, the Mexican government promulgated its Border Industrialization Program as an extension of PRONAF.[23] The plan was simple—a program to industrialize the Mexican border area with capital from outside the country. The means were provided to attract critically needed foreign capital in order to meet the growing population problem in the area. The program allows complete foreign ownership of industry in the border area by encouraging the establishment of labor-intensive activities producing for export.[24] Import licenses are granted for importation of duty free machinery for use in manufacturing or assembly plants. Raw materials, parts, and components of products are imported free of duty on a temporary basis. After being processed, or assembled in Mexico into finished or semi-finished products, they must be exported in their entirety from Mexico to any foreign country. The only other requirement of the program is that Mexican labor be used.[25]

The importance of the program is its ability to create new employment where unemployment is estimated to be as high as 40-50 percent in some of the border area cities.[26] It is projected that there is a need for approximately 500,000 new jobs annually in Mexico with its present annual rate of population growth.[27] The

22. *Id.*

23. Excelsior, Jan. 27, 1966, at 1.

24. Labor-intensive activities include those industries which manufacture a product having a labor content of at least 50% of the manufacturing costs. Typical industries utilizing the Border Industrialization Program produce a full range of electronic components, toys, and clothing. *See* Walker, *supra* note 16, at 27.

25. J. Treviño, *Border Assembly Operations,* MEXICAN-AMERICAN REVIEW, April 1969, at 31.

26. Walker, *supra* note 16, at 27.

27. J. Treviño, *Border Assembly Operations,* MEXICAN-AMERICAN REVIEW, April 1969, at 31. Of 204 persons employed at Trad Electronics, S. A. de C. V.

Border Industrialization Program was intended and designed to help remedy the problems of existing unemployment and to help remedy the employment needs of an expanding labor force.[28]

HOW THE BORDER INDUSTRIALIZATION PROGRAM AFFECTS U.S. INDUSTRY AND HOW U.S. INDUSTRY UTILIZES THE PROGRAM

The United States has been involved since World War II in trade liberalization programs designed around our trade relations with other countries.[29] In 1965, as a result of freer trade, over a billion dollars worth of labor-intensive manufactured goods with a labor content above 50% of U.S. manufactured costs entered the United States under an ad valorem tariff of 25% or less.[30] In 1968 over 2.1 billion dollars worth of labor-intensive manufactured goods entered the United States under the U.S. trade liberalization programs.[31] This represented an overall growth rate of about 30% per year since 1965 and reflected a steady increase of labor-intensive goods that are imported into the United States.

The influx of these imported goods into the United States affected domestic markets and U.S. industry's profitability. The foreign exporting countries generated employment in their industries through the use of lower wages than that prescribed by the United States. The U.S. consumer demanded a low priced product and, as such, further encouraged the importation of low priced products for sale on the U.S. market.[32] Sales by U.S. industry in

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in Piedras Negras, Coah., 81% of the personnel had no permanent employment prior to being employed at Trad Electronics. *See* Spending Pattern Employees Trad Electronics report from Howard L. Walker, Jr., American Consul, to William F. Keyes, Mexican Embassy, Oct. 16, 1969, copy on file at the CALIFORNIA WESTERN INTERNATIONAL LAW JOURNAL OFFICE.

28. J. Treviño, *Border Assembly Operations,* MEXICAN-AMERICAN REVIEW, April 1969, at 31.

29. U.S. Dep't. of Commerce, Report of the National Export Expansion Council Action Committee on U.S. Trade and Investment in Developing Countries 23 (1967).

30. Arthur D. Little, Inc., Current Trends in Mexican Industrial Development 3 (1967?). Japan, Hong Kong, and Taiwan contributed almost 50% of the total labor-intensive manufactured goods that were imported into the United States in 1965. U.S. Dep't. of Commerce, General Imports (1968).

31. U.S. Dep't. of Commerce, General Imports (1968). In 1968 Japan, Hong Kong, and Taiwan contributed almost 52% of the total U.S. imports of labor-intensive manufactured goods. Taiwan had an annual growth rate for the 1965-1968 period of 125%.

32. The United Steel Workers estimate 20,000 steelworkers have lost jobs in recent years in the United States because of imported steel, yet some of the

the United States of wholly domestic-manufactured products, of the same quality and reliability as those imported into the United States, suffered as a result of the lower manufacturing cost of imported products on the domestic market.[33]

United States labor-intensive industries located within the U.S. are the least profitable of all U.S. manufacturing industries.[34] Several U.S. labor-intensive industries decided to locate plants in Mexico in order to reduce costs and compete with the already low priced imports on the U.S. market. The determination to locate a plant in Mexico was based on several factors. Mexico has a stable government, economy and monetary policy.[35] Approximately 70% of the Mexican people are literate.[36] The working force is available and easily trained.[37] Its proximity to the United States with reduced transportation costs help offset the higher wages paid in Mexico relative to Asia. United States foreign policy as it applies to Mexico provides, *inter alia,*

1. To cooperate in the development of a modern economy, linked with that of other hemisphere countries, including the United States, through a mutually beneficial system of trade and investment;
2. To encourage active participation of United States private investment in the form needed by Mexico for its economic growth.[38]

The form of investment needed by Mexico was that promulgated by the Mexican government in the Border Industrialization Program. Thus, companies like Sarkes Tarzian, Inc., and Warwick Electronics, Inc., established foreign plants in Mexico in an effort to reduce costs until technological advances enabled profitable manufacture in the United States.[39]

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steel unionists of the U.S.W. drive foreign cars. Business Week, January 10, 1970, at 29.

33. Letter from Donald J. Burke, Warwick Electronics, Inc., to the writer, Nov. 18, 1969, on file at the CALIFORNIA WESTERN INTERNATIONAL LAW JOURNAL OFFICE.

34. H.R. Rep. No. 638, 90th Cong., 1st Sess. 22 (1966).

35. Letter from Donald J. Burke to the writer, *supra* note 33.

36. U.S. Dep't. of State, Pub. No. 7865, *Background Notes*: Mexico 1 (June 1969).

37. Letter from Donald J. Burke to the writer, *supra* note 33.

38. U.S. Dep't. of State, Pub. No. 7865, *Background Notes*: Mexico 5 (June 1969).

39. Letter from Sarkes Tarzian, Sarkes Tarzian, Inc., to Al R. Wichtrich, Oct. 29, 1969, copy on file at the CALIFORNIA WESTERN INTERNATIONAL LAW JOURNAL OFFICE; Letter from Donald J. Burke to the writer, *supra* note 33; and

On March 26, 1969, there were ninety-nine companies in operation under the Border Industrialization Program.[40] Sixty-three of those companies were surveyed in a report dated July 1969 by the International Trade Investment Committee of The American Chamber of Commerce of Mexico.[41] Seventy-six percent of those companies interviewed had been in operation one year or longer. All the companies included in the survey evidenced low-wage labor as one of the principal interests in the establishment of their company in Mexico. Mexican wages are low compared to U.S. standards yet their wages are rising more rapidly than those in the U.S. with an average annual increase of about nine percent during the past seven year period.[42] Other principal interests in a Mexican location, as evidenced in the American Chamber of Commerce of Mexico report,[43] were the availability of labor, ease of administration and the short transit time because of the proximity to the United States.

The benefits accruing to United States industry through a border area location are not without responsibilities. By locating a plant in Mexico, U.S. industry must recognize the rights of the worker and perform the duties related to those rights. Article 123 of the Mexican constitution is concerned with the labor laws of Mexico. Under this article, the worker is granted the right to organize and to defend his interests. This includes the right to strike.[44] By 1968 about 3½ million Mexican workers had been organized representing over fifty percent of the non-agricultural labor force and about twenty-five percent of the economically active population.[45] The most influential union confederation is the Confederacion de Trabajadores de Mexico (CTM: Confederation of Mexican Workers). CTM is also the largest union confedera-

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Reid, *El Paso-Juarez Twin Plant Concept: What it is-How it works*, Executive Conference On World Trade, El Paso Chamber of Commerce 8 (1969).

40. The Mexican government has recently announced that there are "190 assembly plants from Tijuana to Nuevo Laredo." San Diego Union, May 2, 1970, § A, at 9, col. 4. All of those assembly plants are probably *not* in operation under the Border Industrialization Program.

41. American Chamber of Commerce of Mexico, A.C., Survey on Border Development Program 2-5 (July 1969).

42. J. Richards, *El Paso-Juarez Economic Siamese Twins*, Executive Conference on World Trade, El Paso Chamber of Commerce 4 (1969) [hereinafter cited as Richards]. *See* Business Week, Jan. 17, 1970, at 102.

43. Survey on Border Development Program, *supra* note 41. *See* text accompanying notes 35-39 *supra*.

44. CONSTITUTION OF UNITED MEXICAN STATES ART. 123, § XVI.

45. *Establishing a Business in Mexico, supra* note 11, at 13.

tion within Mexico with an estimated membership of about two million workers in 1968.[46]

In 1949 CTM initiated efforts to unify the trade union movement in Mexico. The result was the formation of the Bloque de Unidad Obrera (Labor Unity Bloc) which represents between eighty and ninety percent of organized labor.[47] Other major labor organizations include the Confederacion Revolucionaria de Obreros y Campesinos (CROC: Revolutionary Confederation of Workers and Farmers) and the Confederacion Regional Obrera Mexicana (CROM: Regional Confederation of Mexican Workers). CROM is also a member of the Labor Unity Bloc.[48]

The Labor Unity Bloc has substantial influence and is the most important policymaking group in Mexican labor. The Labor Unity Bloc and CROC give effective support to the dominant political party, Partido Revolucionario Institucional (PRI: Revolutionary Institutional Party). About one-third of PRI's National Council seats are held by trade union representatives.[49] The development of strong labor organizations in Mexico has been facilitated by the government and the dominant political party, PRI.[50]

In the American Chamber of Commerce of Mexico report,[51] almost 40 percent of the companies, involved in the Border Industrialization Program that were surveyed, have employees represented by either CTM, CROC, or CROM. CTM represents the employees in a third of all the companies interviewed. In addition there were three companies that had company unions. The labor relations of companies having unions were substantially satisfactory.[52] The efficiency of the labor force was satisfactory in 97 percent of all the companies interviewed.[53] An officer of Sarkes Tarzian, Inc., with approximately 800 employees at plants in Nuevo Laredo and Piedras Negras, has stated: "[W]e have found a good solid and stable labor force . . . that want and need the employment and are offering excellent productivity for us."[54]

46. *Id.* at 14.

47. U.S. Bureau of Labor Statistics, Dep't. of Labor, Bull. No. 240, *Labor Law and Practice in Mexico* 33-34 (1963).

48. *Id.*

49. *Id.*

50. *Establishing a Business in Mexico, supra* note 11, at 13.

51. *See* text accompanying note 41 *supra.*

52. Out of 28 companies having unions, 25 reported they had satisfactory relations. Survey on Border Development Program, *supra* note 41, at 12.

53. *Id.* at 11.

54. Letter from Sarkes Tarzian to Al R. Wichtrich, *supra* note 39.

The Mexican constitution further provides for the establishment of minimum wages. The Mexican concept of minimum wage considers a given geographical area and the needs of the worker.[55] The companies located in the border area utilizing the Border Industrialization Program have currently employed about 20,000 Mexican workers.[56] The minimum wage rates apply to most of these employees in the border plants[57] and the rates for the various regions of Mexico are revised biennially by a national commission.[58] Fringe benefits usually increase the actual labor cost of the manufacturer about 30 percent. The approximate daily wages paid in industry in Ciudad Juarez range from the minimum allowable for the unskilled worker to almost six times the minimum wage for the skilled worker.[59] Yet, the daily wages in El Paso, Texas, across the Rio Grande from Ciudad Juarez, "run about $7.50 a day,"[60] less than the minimum wage by United States labor law!

American industry's utilization of the Border Industrialization Program originated when U.S. markets and profitability in particular industries were being eroded by imports and their associated lower costs in manufacturing.[61] The United States legislative means for the utilization of the program by U.S. industry was already in effect and no change in the United States law was necessitated in order to accommodate U.S. industry.[62] Item 807.00 of

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55. CONSTITUTION OF THE UNITED MEXICAN STATES ART. 123, § VI. *See generally* Demeure, *Labor Legislation Considerations for American Companies Investing in Mexico and South America*, 24 BUS. LAWYER 267 (Nov. 1968).

56. San Diego Union, May 2, 1970, § A, at 9, col. 4. Twenty-six of the companies surveyed in the report, Survey on Border Development Program, *supra* note 41, at 14, did not have any Americans employed in their border operations. Forty-nine of the companies surveyed had two or less Americans employed. *See* text accompanying notes 25-28 *supra.*

57. Walker, *supra* note 16, at 28.

58. *Id.* at 28-29. The minimum wage for general workers went up an average 15.5% as of January 1, 1970. Business Week, Jan. 17, 1970, at 102.

59. International Twin Plant Concept Fact Book, El Paso Chamber of Commerce Section 4.10 at 2 (2 ed. 1969). The prescribed daily minimum wage in Ciudad Juarez is currently $2.84 U.S. currency. Castro, *Mexico Pay Hike Held Insufficient*, San Diego Union, Jan. 11, 1970, § G (The Southwest), at 1, col. 1. On May 1, 1970, Mexico had a new labor law go into effect. As a result of the new law, industry claims labor costs will increase 25 percent. Budd, *Mexicans Get New Labor Law*, San Diego Union, April 26, 1970, § G (The Southwest), at 4, col. 4.

60. U.S. News & World Report, July 1, 1968, at 78.

61. *See* text accompanying notes 32-39 *supra.*

62. Richards, *supra* note 42, at 6-7.

the Tariff Schedules of the United States[63] applies to

> articles assembled abroad in whole or in part of fabricated components, the product of the United States, which (a) were exported in condition ready for assembly without further fabrication, (b) have not lost their physical identity in such articles by change in form, shape, or otherwise, and (c) have not been advanced in value or improved in condition except by being assembled and except by operations incidental to the assembly process such as cleaning, lubricating, and painting.

That which is undertaken under these guidelines set forth by the Tariff Schedules may be returned to the United States and be subject to custom duties on the "value added" to the raw materials originally exported from the United States rather than on the entire finished product.

Thus, processing, fabricating, and a change of form that takes place on U.S. raw materials on foreign land call for full custom duties and this determines the degree of manufacturing to be completed in the United States. All other specialization in the manufacturing procedure of a product is completed in Mexico.[64]

The primary economic advantage in the utilization of the program is the labor cost. The "value added" in the determination of the duty applicable to the imported product is essentially the cost of the foreign labor. But the "value added" could also be computed upon other inputs to the finished product such as raw materials from countries other than the United States which may be incorporated in the product and be subject to duty.

The total value of all products imported under item 807.00 of the Tariff Schedules has increased by 280 percent from 1965 to 1968.[65] Yet the value of U.S. raw materials included in the finished product has increased by over 350 percent for a similar period which reflects an increase in the use of U.S. made components in the product. And the percentage of all U.S. raw materials incorporated in the imported product by value in 1968 amounted

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63. 19 U.S.C. § 807.00 (1963). *See* 19 U.S.C. § 806.30 (1963), a similar provision covering articles of metal exported for additional processing and returned to the United States for further processing.

64. Richards, *supra* note 42, at 2.

65. Total value of imports under item 807.00 were $498.2 million in 1965 and $1.4 billion in 1968. Letter from Robert L. Hirshberg to the Hon. Bob Wilson, November 24, 1969, on file at the CALIFORNIA WESTERN INTERNATIONAL LAW JOURNAL OFFICE.

to a mere 16.1 percent.[66]

The total value of imports from Mexico under item 807.00 amounted to only 5 percent of the total value of all imports under the item for 1968.[67] Yet, the value of the U.S. raw materials in these imports from Mexico amounted to 22 percent of the total value of all U.S. raw materials incorporated in all imported products that entered under the item during 1968.[68] The percentage of U.S. raw materials incorporated in the imported product from Mexico by value in 1968 was 68 percent compared to the 16.1 percent figure for all imports under the item. These figures tend to indicate that U.S. industry and U.S. labor are substantially involved in the production of raw materials that are eventually incorporated in imported products from Mexico under item 807.00 relative to all other imports under the item.[69]

The use of the Mexican Border Industrialization Program has enabled U.S. industry to recapture lost volume in sales from wholly foreign-manufactured products. At the same time U.S. labor has benefited in its task of providing the raw materials and machinery that are exported to Mexico in order to be used in the assemblage operations in Mexico.[70]

There are ancillary economic benefits from the utilization of the Mexican Border Industrialization Program by U.S. industry:

1. Establishment of shipping and warehouse operations in U.S. border cities to work in conjunction with the Mexican plant.[71]
2. The impact upon the economy of U.S. border cities

66. Total value of U.S. raw materials included in products imported under item 807.00 in 1965 amounted to $63.6 million and in 1968 amounted to $225.7 million. *Id.*

67. Total value of imports from Mexico under item 807.00 amounted to $73.3 million in 1968. *Id.* In 1969 $145 million worth of products incorporating U.S. manufactured parts entered the United States from Mexico. Business Week, May 2, 1970, at 28.

68. Total value of U.S. raw materials included in products imported from Mexico under item 807.00 was $49.5 million in 1968. Letter from Robert L. Hirshberg to the Hon. Bob Wilson, *supra* note 65.

69. All imports from Mexico under item 807.00 may not necessarily come from the border area as well as all imports from the border area may not be included in item 807.00. *Id.*

70. Letter from John D. Jackson, Litton Industries, to the writer, November 10, 1969, on file at the CALIFORNIA WESTERN INTERNATIONAL LAW JOURNAL OFFICE; Letter from Donald J. Burke to the writer, *supra* note 33.

71. Industrial and Employment Potential of the United States-Mexico Border, *supra* note 2, at 43.

> through the utilization of the program promotes U.S. business and provides additional employment in those cities. U.S. products and services are provided for the Mexican employee and his family.[72]

As Ing. Jaime Bermudez, President of the Juarez Industrial Development Board states, ". . . we Mexicans are trying to be effective commercial partners to the United States and to earn a fair profit from our efforts, rather than looking for foreign aid to solve our needs."[73]

CONCLUSION

The consumer determines the market in the product he demands. When he demands a low priced product, he buys it over the same quality and reliability found in a higher priced product. Industry responds by furnishing the product to meet this demand. If the lower priced product demanded by the consumer is a foreign-manufactured product rather than a wholly domestic-manufactured product, he purchases the imported product—assuming the same quality and reliability. United States industry must respond to this demand for a low priced product or be forced out of the market. This activity of the consumer contributes to the present trade situation of the United States with the balance of payments problem.

The United States government could impose reasonable import restrictions on those foreign manufactured products, limiting them to a certain percentage of a U.S. market. Such restrictions

72. On the average, fifty-five percent of the money earned weekly by the Mexican employees of Trad Electronics in Piedras Negras, Coahuila was spent in the city of Eagle Pass, Texas. Included in those items purchased were food, clothing and amusements. Forty percent of their earnings were spent in Mexico and five percent were put into savings. Approximately 80 percent of the employees now have charge accounts in Eagle Pass and 70 percent did not have said accounts prior to their employment with Trad. Spending Pattern Employees Trad Electronics report, *supra* note 27. A recent survey by the Bank of Mexico indicates that $130 million is presently earned annually by Mexicans through employment with plants under the Mexican Border Industrialization Program. Of the $130 million earned, $124 million was spent in the United States. Scott-Blair, *Mexican Envoy Asks New U.S. Steps on 'friendship Trail,'* San Diego Union, July 18, 1970, § A, at 8, col. 2.

73. J. Bermudez, *Services of the Juarez Industrial Development Board*, Executive Conference On World Trade, El Paso Chamber of Commerce 18 (1969). Octaviano Campos Salas, Mexican Secretary of Industry and Commerce, stated in Tijuana, Baja California, November 13, 1969, that the economic benefits enjoyed by the Mexican border cities has been outstanding by the operation of American manufacturing plants there. San Diego Union, Nov. 14, 1969, § B (Local News), at 1, col. 4.

would protect U.S. industry and U.S. labor. But several U.S. industries in those markets affected by the competition of foreign-manufactured products have located assembly plants in Mexico through the utilization of the Mexican Border Industrialization Program. The location of U.S. plants in Mexico has provided employment opportunities, where employment is critically needed, for the Mexican worker. U.S. industry is competitive on the U.S. market through the reduction of manufacturing costs which is reflected in the price paid for the product by the consumer. U.S. labor has benefited from the utilization of such a program in that U.S. raw materials produced by U.S. labor are substantially incorporated in the imported product from Mexico. Machinery manufactured in the United States by U.S. labor is utilized in the assembly procedure completed in Mexico under the program.

The utilization of the Mexican Border Industrialization Program by U.S. industry encourages free trade, helps a neighbor country in its development, and improves the balance of payments problem. A program that enables U.S. industry to manufacture low cost products that are demanded by the U.S. consumer incorporating United States manufactured products—manufactured by U.S. labor—stimulates the American economy and is a step away from economic protectionism.

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