

For years, new jobs in Mexico's assembly-for-export plants have been a growth engine on both sides of the Rio Grande. Mexico reported monthly on employment, wages and production in the maquiladora industry, and those figures became key indicators for the border region's economy.

Recent changes in Mexican regulations on export-oriented industries mean these important barometers of border manufacturing activity have been lost—at least temporarily. The new rules merge the maquiladora industry and a program for homegrown exporters into Maquiladora Manufacturing Industry and Export Services, or IMMEX.

Mexico stopped publishing maquiladora data effective March 2007. Beginning in March 2008, the industry will be included in Mexican manufacturing reports. The first figures on IMMEX plants will be available at the same time—but without separate maquiladora data.

IMMEX will provide regional and industrial data similar to the old maquiladora reports in 2008, but for a year analysts will be without manufacturing data for states and cities along Mexico's northern border. The new data series won't mesh with the old, so long-term trends will be hard to track.

The regulatory changes reflect the evolution of a program that began in the 1950s as a simple "twin-plant" concept. Maquiladoras allowed U.S. manufacturers to establish capital-intensive operations on their side of the border, ship goods to Mexico for labor-intensive assembly and return them to the United States. Inputs moved into Mexico duty-free if returned to the U.S. in assembled form within a fixed period. U.S. tariffs applied only to the value added by assembly.

Over the years, the maquiladora industry evolved to include imports of machinery and equipment along with inputs, and it expanded from manufacturing to services, such as engineering, call centers and coupon processing. The original maquiladora program forbade domestic sales, but the North American Free Trade Agreement completely removed the restriction by 2001.

Blurring the Lines

After these changes, maquiladoras became similar to companies operating under the Program for Temporary Imports to Promote Exports (PITEX), created in 1990 to allow qualifying domestic producers to compete with maquiladoras.

In terms of exports and imports, the maquiladora program is larger than PITEX, and it's been growing in recent years (*Chart 1*). PITEX plants are usually in the older industrial belt located in central and southern Mexico. Maquiladoras are more common in states along the U.S.-Mexico border (*Table 1*).

Under PITEX, the "export-services" parts of domestic plants received maquiladora-like benefits, allowing them to import materials and export-oriented machinery. In recent years, no significant differences existed in the customs status of maquiladoras and PITEX plants' export operations.

As differences between the two programs diminished, questions arose about why maquiladora data should be reported separately. As a result, Mexican authorities decided to merge the two export-oriented programs.

Under IMMEX, the combined programs also share similar fiscal treatment. In

Table 1
Export-Oriented Plants
in Selected Mexican States

	Number of plants		
	Maquiladoras	PITEX	IMMEX
Border states			
Baja California	901	246	1,147
Coahuila	224	177	401
Chihuahua	395	107	502
Nuevo León	213	432	645
Sonora	213	214	427
Tamaulipas	337	93	430
Border total	2,283	1,269	3,552
Other states			
Distrito Federal	17	237	254
Durango	42	74	116
Guanajuato	38	186	224
Jalisco	98	275	373
México	26	380	406
Puebla	58	217	275
Querétaro	30	185	215
San Luis Potosí	30	100	130
Sinaloa	8	164	172
Veracruz	2	98	100
Yucatán	74	52	126
Other states' total	423	1,968	2,391
Selected states	2,706	3,237	5,943
Nationwide	2,795	3,620	6,415

SOURCE: INEGI.

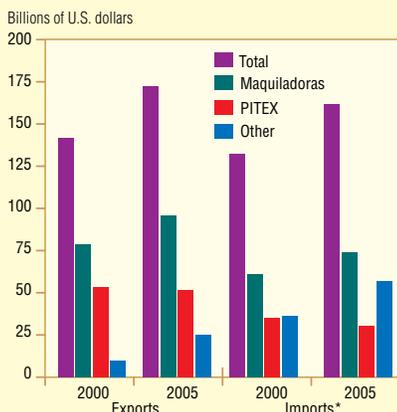
the past, maquiladoras were exempt from value-added taxes; the IMMEX program extends this benefit to PITEX companies' export services. Income tax differences will persist only to the extent that maquiladoras qualify for treatment as foreign entities.

The elimination of fiscal differences solves a growing problem of companies' shifting between maquiladora and PITEX status for tax advantages and causing large month-to-month swings in regional and national data unrelated to economic events.

In time, the IMMEX data may provide useful information for tracking manufacturing activity in Mexico's border states. For a while, though, analysts will be without a key source of data.

—Jesus Cañas and Robert W. Gilmer

Chart 1
Maquiladoras and PITEX:
Exports and Imports



*Intermediate imports only.
SOURCE: Secretaría de Economía, www.siecex.gob.mx/Sabias/manufacturero.doc.