

3.4 EXPORT PROMOTION ZONES

A large number of countries in various parts of the world and at various levels of development have resorted to what are known as export promotion zones, or export platforms, to improve their competitiveness and share of world production and trade.

These zones range from simple free-trade or customs-free ports to manufacturing or service districts with regulations different from, or employment standards lower than, those in place elsewhere in the country, to world financial centres where domestic regulation does not apply.

3.4.1 Mexican Maquiladora:

The case most often cited with reference to the FTA is the Mexican "maquiladora"⁸⁸ area.

The maquiladora was established twenty-five years ago, following the termination of the U.S. bracero programme, which had permitted Mexicans to enter the United States to work. Mexico decreed that foreign ownership would be permitted in a 28 kilometre wide strip along the U.S. border on the condition that any goods manufactured there be immediately exported. This zone was expanded fifteen years ago to include all of Mexico, but the majority of companies still locate along the border, primarily in Tijuana, Nogales, Ciudad Juarez, Reynosa, and Matamoros.

About 500,000 Mexicans are currently employed by enterprises established under the maquiladora provisions. While an average salary for these employees is difficult to calculate given variations in charges for transportation and meals, approximately Cdn\$0.60 per hour is generally paid for assembly work. Although this wage attracts a large number of Mexican workers because it is relatively high, and unemployment is very high, it is dramatically lower than Canadian or U.S. levels.

The devaluation of the peso in 1982 speeded up the establishment of maquiladora plants; between 1,800 and 2,000 U.S., Canadian and Japanese companies now have factories there. Some of these were operations that had previously been located in other Third World countries and which were relocated to Mexico to be closer to U.S.-based final assembly plants and supervisors. Among them can be found:

- each of the "big three" automakers and many affiliated "twin" parts plants;
- the major electronics manufacturers, including **Northern Electric** which has a plant in Matamoros; and
- the **RCA** division of **GE**, one of the first companies to open a maquiladora plant, and now employing about 5,000 persons in Mexico.

⁸⁸ One of the several possible "translations" for maquiladora is "grist mill", another is "sweat-shop".