

MAQUILADORAS

The *maquiladora* program has set aside several in-bond areas where manufacturers enjoy duty-free import of machinery, equipment, parts, raw materials and other components used in the assembly or manufacture of finished or semi-finished goods. Once assembled or manufactured, these goods are exported back to the country of origin or to a third country. In recent years, the regulations governing the *maquiladora* regions have been changed to allow up to 50 percent of total production to be sold within Mexico itself. Thus, a manufacturing or processing operation in one of these areas is an attractive way to enter the Mexican market. The phasing out of tariffs on trilateral trade under the North American Free Trade Agreement (NAFTA) will erode the advantages enjoyed by these free trade zones, but manufacturing and processing operations in the zones will have more freedom to sell their products in the domestic market, something which was restricted prior to NAFTA.

There are three types of *maquiladoras*.

1. Subsidiaries of foreign owned companies comprise the majority of operations.
2. The Shelter Program operates whereby the foreign customer provides the raw materials, machinery and equipment and the Mexican owner manufactures or assembles the goods for the foreign investor. This is the fastest-growing segment of the industry. It is the most popular type for small- and medium-sized manufacturers since it allows them to operate in the *maquiladora* region with a minimum of risk.
3. Contract operations operate whereby manufacturing is contracted out to a Mexican company that is already operating to avoid the costs involved in setting up either a wholly owned or sheltered operation. Under this type of operation, both the foreign firm and the Mexican contractor set the prices, quantities of production as well as the dates and locations for delivery.

To set up a *maquiladora*, it is necessary to obtain a permit from the *Secretaría de Relaciones Exteriores (SRE)*, Secretariat of Foreign Affairs, and the *Secretaría de Comercio y Fomento Industrial (SECOFI)*, Secretariat of Commerce and Industrial Development. More information on how to get involved in the *maquiladora* program can be obtained from the Department of Foreign Affairs and International Trade (DFAIT) or from the Mexican government sources.