
3. Maquiladora Operations

The Mexican *maquiladora* program was introduced over 25 years ago by the Mexican government in response to a private sector initiative designed to alleviate a high unemployment problem along the border with the United States. The *maquiladora* industry in Mexico is governed by the Decree for the Promotion and Operation of the Export Maquiladora Industry of December 22, 1989 (the *Maquiladora* Decree), as amended December 24, 1993. The latter amendment took effect on January 1, 1994.

3.1 Corporate presence in Mexico

Under the *Maquiladora* Decree, a foreign investor may qualify to operate under *maquiladora* status only if it has a corporate presence in Mexico. A Mexican corporation that qualifies for *maquiladora* status may have up to 100 percent foreign ownership. The great majority of *maquiladoras* are wholly-owned subsidiaries of foreign (especially American) corporations.

3.2 Operation and import permits

Once a company has been incorporated, in order to qualify to operate under *maquiladora* status it must receive approval from the *Secretaría de Comercio y Fomento Industrial (SECOFI)*, Secretariat of Commerce and Industrial Development, for its *maquila* program. For such approval to be obtained, the company must submit information with regard to the project, including the following:

- the product(s) to be assembled and/or manufactured in Mexico and their intended use;
- a brief description of the manufacturing process and the duration thereof;
- a breakdown of investment in fixed assets, whether owned by the parent or by the subsidiary, and projections on operating expenses for a two-year term;
- a projection of the number of jobs to be created during the first two years of operations;
- a list of machinery, equipment, tools and auxiliary items to be imported into Mexico for the manufacturing process (including fair market value of each item); and
- a list of components, raw materials and auxiliary supplies to be processed, manufactured and/or assembled in Mexico (including unitary weight and value of each item).

Once *SECOFI* approves the *maquila* program, permits will be issued for the importation of machinery, equipment, components, raw materials and supplies. The *maquila* program approval is valid for an indefinite period and is not subject to any renewal requirements.