

The maquiladora plants provide Mexico's second highest source of foreign currencies after oil revenues, ahead even of tourism.

It has been estimated that fully 60 per cent or more of all inputs used in the maquiladora originate in the United States. These inputs are not dutiable when returned to the United States. Many maquiladora goods also benefit from the U.S. Generalized System of Preferences (GSP), which provides lower or zero tariffs for goods from designated developing countries. In many cases, the only duty paid is on the labour content of assembled products, which, due to low wage rates and no benefit costs, seldom exceeds 15 per cent of the value of the goods.

3.4.2 Canadian Maquiladora Operations:

The existence of the maquiladora regime was widely publicized in Canada when, in late 1988, the equipment of a **Fleck Manufacturing** plant in London, Ontario was transported to **Sistemas y Conexiones** in Nogales, putting the 200 employees in London out of work. The Canadian employees had been making between \$6.65 and \$7.04 and were on strike demanding higher pay.

With respect to the impact of the FTA on this move, it is important to note that Mr. Fleck has stated that he had been planning this move for some time and was going to go ahead whatever the outcome of the FTA negotiations.

At least two other companies have experienced employment losses resulting from the relocation of work, contracts or operations to Mexico.

- Sixty-five employees of **Bovie Manufacturing** in Lindsay, Ontario were laid off following the transfer of a contract with **Kimberley-Clark** to supply lab coats. They had been producing the coats at a unit cost of about \$0.60; the coats are now to be made in Mexico for approximately \$0.04. The new **Kimberley-Clark** supplier operates what is known as a "twin" operation. The disposable material for the lab coats is cut from pattern in Tuscon, Arizona, with the parts then shipped across the border to be sewn together. When the finished coats are returned to the United States, duty is paid on only the labour content of the value-added. However, if these coats were shipped to Canada, they would be subject to Canadian duty on the full-value.
- The **Bendix Safety Restraints** division of **Allied Signal** has laid off 400 employees in Collingwood and transferred the work to Mexico, although a company spokesman indicated that the transfer had nothing to do with the FTA, but rather "[was] strictly economic." Bendix will continue to make seat-belts for the Canadian market in Collingwood, but its export business (parts destined for the United States) has moved to Mexico.

Other Canadian companies with maquiladora operations include: **Dicon Systems**, **Custom Trim**, and **Ideal Equipment**.