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Despite Violence, U.S. Firms Expand in Mexico

By RANDAL C. ARCHIBOLD

MATAMOROS, Mexico — When the latest bloody headlines from the [drug war in Mexico](#) reach headquarters in New York, Ken Chandler, the manager of an American electronics manufacturing plant here, jumps on the phone.

He is not begging to come home. He is begging to stay.

“We try to put them at ease, to say it is not time to pack up,” said Mr. Chandler, who oversees the company’s operations in this border city, where the military arrived last week to help purge drug cartel members from the police department.

Not that his employer, Spellman High Voltage, needs much assurance. Like a crop of other manufacturers at the border, including six companies in this city alone, Spellman is expanding its operations, with a new plant under construction after making a calculation that offers one of the starker paradoxes of these violent days in Mexico.

Despite the bleak outlook the drug war summons, the Mexican economy is humming along, not without warning signs, but growing considerably faster than that of the United States.

Even as drug organizations battle for turf around them, more TV sets are being assembled, car parts boxed up and electronic widgets soldered together in the large manufacturing plants here known as maquiladoras. The result is a boomlet in jobs in some of Mexico's hardest-hit cities, a bright spot in an otherwise bleak stream of shootouts, departing small businesses and fear of random death.

Over all, jobs in Mexico's manufacturing sector increased 8.2 percent to 1.8 million as of January, the most recent figures available, driven mostly by what Mexican officials called regaining health in the auto and electronics industries, the engine of the economy along the border. Even Ciudad Juárez, which has both the highest level of violence and the largest number of maquiladoras, added 1.3 percent more jobs, to 176,824.

Mostly American-owned and in border states, the plants import raw materials duty free and export assembled products, lowering the cost of goods in the United States and providing jobs that pay more than the Mexican average (typically \$8 to \$16 per day on the assembly line) but a lot less than American wages.

Some of the new or expanding plants come at the expense of plant closings in the United States. Electrolux, which makes washers, dryers and other home products, closed a plant in Iowa but opened one in Juárez last month that is expected to employ 400 people.

Others are from investors farther afield. Foxconn, a Taiwanese firm that makes iPhones, Dell computers and other electronics, is one of several Asian companies taking root. It opened a plant in Juárez last summer. Down the coast from here, Posco, a Korean steel manufacturer, has announced plans to expand its operations with a second plant that will employ 300 people by 2013. Several other companies plan to built or expand in other states as well.

The gains have not made up for losses during the global [recession](#); many plants closed or have shed jobs for good, focusing on making their operations more efficient through automation and other measures, analysts said.

Still, border towns are showing some of their biggest signs of economic life in months. Over all, the Mexican economy, the second largest in Latin America after Brazil, grew 5.5 percent last year, its fastest pace in a decade, and is expected to grow 4.5 percent this year, driven largely by manufacturing as well as internal growth from an expanding middle class. The American economy, by contrast, is expected to grow between 2.7 percent and 2.9 percent in 2011, the Federal Reserve [projected late last month](#).

Economists say Mexico's growth would be even stronger without the cartel violence, which in the last five years has left more than 40,000 people dead, according to the count by national newspapers.

And given how central the American economy is to its welfare, Mexico could suffer if the recovery in the United States [does not pick up speed](#). While trade with the United States hit a record last year of nearly \$395 billion, foreign investment has lagged, suggesting that much of the job and economic growth is depending on existing businesses expanding or restarting production lines that had been waylaid by the recession.

The Bank of Mexico reports foreign investment was \$17.7 billion last year, far off pre-recession levels of \$25 billion and fed in good measure by a single transaction, the purchase of one of the country's largest beer companies by Heineken.

Monterrey, the country's business and industrial hub, has exploded with violence in the past year, though even there, in the suburbs, some plants have expanded or announced plans to open. For better or worse, the plants are at once part of and apart from the communities that surround them, protected by tall fences, armed guards and cameras galore.

The violence has largely spared the plants, though workers have been caught up in it. Last fall, gunmen apparently looking for a rival fired on a bus carrying maquiladora workers near Ciudad Juárez, killing four people. Higher-paid supervisors and managers, American and Mexican, tend to commute from the American side of the border.

Security costs are rising to protect property and shipments, and safety remains the top concern expressed by potential investors, said Bob Cook, the president of the El Paso Regional Economic Development Commission, which helps recruit businesses to Ciudad Juárez, Mexico's most violent city.

"But we are still working with more companies now than we did three years ago," he said.

Business is business, and the proximity to the United States is hard to pass up. The rising cost of labor, transportation and the renminbi have made some companies reconsider Mexico instead of China, he contended. Despite several murders a day, trade between Juárez and Texas rose 47 percent last year to \$71.1 billion, he said.

"Central location, great infrastructure, suppliers and labor pool," he said. "Those things haven't been tampered with by organized crime."

Industry promoters argue that the additional jobs may help dampen crime, with more people working and able to support their families. But cities that have benefited from manufacturing have often been slow to help workers and their families.

"The maquiladoras may be growing again, but there is still not much of an effort to address the social needs of the workers and their families outside the plants," said Cirila Quintero, a sociologist at El Colegio de la Frontera Norte, a research group based in Tijuana, Mexico. "What investment has been made in schools and social centers has been minimal. The governments say they don't have money and the plants say they are there to create jobs and help industry."

But workers like Rosalia Carrasco, 41, who has worked at Spellman here for two months, said they are relieved to have steady work, with benefits. "I am hoping to improve myself and get ahead, like anybody else," she said.

Loren Skeist, the president of Spellman, said he frets over security. The plant took additional safety measures after robbers stole an automatic teller machine last year. A few clients have refused to visit

the plant, citing the violence. (The Mexican military this month moved in to police the streets.)

But over all he embraces Matamoros as a smart investment.

“Relatively speaking it is reasonably safe,” he said by phone from Hauppauge, N.Y. “There are compelling reasons, if you are willing to do it with reasonable security, to want to be in Mexico.”



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