

# The Future of Manufacturing in Baja California: the Electronics and Auto Parts Sectors

**SAN DIEGO**  
**DIALOGUE** **Forum Fronterizo Luncheon**  
**July 18th, 2002 – Sheraton San Diego Hotel & Marina – 12:00 p.m.**

The dramatic decline in maquiladora activity and employment in Mexico during 2001 was particularly hard on Baja California, with the loss of nearly 62,000 jobs and the closure of 88 factories during 2001. Among the most important causes of this decline was the recession in the United States, the appreciation of the Mexican peso and the end of the maquiladora's duty-free privilege for components imported from outside the region.

Even though maquiladora manufacturing is once again picking up – largely due to economic recovery in the United States – there is a growing concern that last year's crisis could be the beginning of a long term decline in manufacturing along the border due to Mexico's relatively high cost of labor when compared to that of countries like China or Honduras.

It seems clear that relatively expensive labor costs will tend to make low-end manufacturing in Baja California increasingly unattractive. The challenge is to move towards a more sophisticated manufacturing platform, which employs a better trained workforce and takes more advantage of synergies with San Diego's high tech and R&D sectors.

This **Forum Fronterizo** will examine the state and prospects of two of the most significant manufacturing sectors of Baja California: electronics and auto parts. It will do so by tapping into the results of an extensive Maquiladora Survey that was carried out this year by researchers of *El Colegio de la Frontera Norte* in most of the plants that belong to these two sectors in the cities of Tijuana and Mexicali.

The results of the research project include information on the quality and evolution of the workforce, as well as on the type, quantity and quality of workforce training. It also covers technological level of the plants, R & D capabilities and cross-border relations with parent companies and suppliers of goods and services.

Based on the results of the survey and other recent data, our speakers will analyze the strengths and weaknesses of the manufacturing sector in Baja California, identify trends in its evolution, and try to provide the answer to a question that is critical to the future of our region: *Can and will Baja California's manufacturing sector achieve higher, more sophisticated stages of development?*

The scope and some of the main results of the Maquiladora Survey will be presented to the Forum *Fronterizo* by the project's leader, **Dr. Jorge Carrillo**, Professor of Sociology and Director of the Social Studies Department at *El Colegio de la Frontera Norte* in Tijuana. Following his presentation, well-known border researcher **Dr. Jim Gerber**, Professor of Economics and Director of the Center for Latin American Studies at San Diego State University, will speak about trends in Baja California's manufacturing sector and its potential to evolve and to achieve greater integration through cross-border manufacturing clusters.

To round out this thought-provoking event, **Ing. Sergio Tagliapietra**, Baja California economic development secretary, will comment on the research results, on the state government's own diagnosis of the status and prospects of the manufacturing sector, and on government efforts and plans for the sector in the coming years.

*Eugenio Elorduy Walther*, Governor of the State of Baja California and chair of the Forum *Fronterizo* public programs, will provide the welcome and closing remarks.

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