Dateline Mexico by Carlos Cota

What frightens businessmen the most?

Not the prospect of Mexico becoming one big maquiladora, *but acknowledging the failure of Salinas's economic policy.*

According to the Planning and Budget Department (SPP), Mexico's trade deficit in the first five months of 1991 was $1.514 billion. The Bank of Mexico, contradicting the SPP, maintains that the deficit was $3.843 billion.

Part of the discrepancy is due to the fact that the SPP excludes from its figures freight and insurance charges for imports, while including as part of its export earnings the added value of manufactured goods produced by the *maquiladoras,* the largely foreign-owned assembly plants clustered—so far—along the U.S.-Mexican border. According to the Bank of Mexico, the added value produced by the *maquiladoras* between January and May of this year was $358 million, while insurance and freight charges for imports were $630.7 million.

Yet with these additions and subtractions, one still doesn't arrive at the $1.514 billion trade deficit figure offered by SPP. Added together, the $988.7 million reduces the Bank of Mexico's figure for a real negative balance to $2.8543 billion. At this point, the SPP reduces the deficit by another $1.3406 billion worth of exports by the *maquiladoras* (without specifying for what period). And thus the SPP arrives at *its* trade deficit figure, although it admits that the trade surplus of the *maquiladoras* for the rest of 1991 still won't cover the global trade deficit of the economy as a whole.

The truth is that whatever the predominant imports—be they consumer goods, intermediate goods, or capital goods—the tendency is for the entire national economy to serve as a single *maquiladora,* or assembly plant, for the United States and Canada. The change in the Foreign Investment Law is but a formalism.

The Board of Economic Research for Banco de Comercio (Bancomer) recently offered an opinion on this subject. According to Bancomer's analysts, "one of the most difficult aspects of the Mexican economy this year, and in the coming years, will be its foreign accounts, and, in particular, the manufacturing trade balance."

During 1990, the total trade deficit reached $3.025 billion. Total exports grew 17.6% while imports grew 27.3%. According to Bancomer's report, the manufacturing industry in 1990 only exported 13.6% more than in 1989, while its imports grew 30%. Of the nine divisions that make up the manufacturing sector, only *non-metallic minerals* (mainly glass and cement) showed a surplus of $312.2 million. However, in 1991, even that sector risks getting lost in the U.S. economic recession, especially with the *anti-dumping* blockade against the Lorenzo Zambrano cement company.

Information from the national statistical institute INEGI presents another facet of the same process that is turning Mexico into a *maquiladora* for export, and a consumer of all kinds of imported products, which are largely sold to Mexico from the United States.

During the first five months of this year, imports under the Temporary Import Program to Produce Export Goods (Pitex) increased by 64.3%, compared with the same period the year before. Pitex, which does not include the *maquiladoras,* was launched in 1985 for the purpose of "financing and facilitating imports to achieve exports," according to then Trade Secretary Héctor Hernández, Bancomer's current director.

Pitex has resulted in a dramatic rise in the value of imported inputs, in relation to Mexican export products. At the end of 1989, the value of temporary imports in relation to total exports was 22.3%, while the ratio for the first five months of 1991 was 32%.

Included in the areas which fall under Pitex, in addition to resins and synthetic fibers, secondary petrochemicals, basic chemicals, and iron and steel, is the automobile industry—including its auto parts sector, which according to the Bank of Mexico, contributes up to 60% of the value of Mexico's non-petroleum exports. The automobile industry's imports have grown to the point that in March, it registered a $170 million deficit.

According to the Banco de Comercio Exterior (Foreign Trade Bank), under whose authority Pitex falls, "the greater part of non-petroleum sales abroad are carried out by the great consortiums which represent less than 2% of existing companies." According to this institution, the bulk of the country's industrialists and merchants "are outside of export activity," i.e., slated for extinction.

But what most frightens Mexican industrialists—the 95% of the manufacturing sector made up of small and medium-sized industries which absorb 50% of manufacturing workers—is not their own imminent disappearance, but the fact that they are forced to publicly acknowledge the utter failure of the Salinas government's economic program.