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Tijuana's Industrial Plants Shielded From Mexico's Political Unrest

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The violence and political instability in Mexico last year may have hurt tourism, but not Tijuana's industrial sector, which continued to expand.

Employment in the region's maquiladoras or twin plants reached 176,000 as of September, an increase of 5 percent from the total reported during the same month of 2005, according to James Gerber, director of the Center for Latin American Studies at San Diego State University.

In 2000, the south-of-the-border region reached a peak employment of 199,000, but then several key industries, apparel and electronics, moved thousands of jobs to Asia and Central America because of cheaper labor, Gerber said.

While the region suffered through a wholesale contraction in the early part of this decade, there's been a spate of new industries moving in as well as expansions by existing companies in recent years.

"Some of the new industries that moved in have absorbed a lot of the people displaced by the cuts in apparel and electronics," said Mark Francois, director of investor relations for DJO Inc., a Vista maker of orthopedic products.

After DJO acquired another maker of orthopedic rehabilitation devices in New Jersey, Aircast Inc., it moved those operations and 300 jobs to its Tijuana plant.

DJO's maquila operation now has 2,000 employees working in two buildings encompassing some 285,000 square feet. That's a tenfold increase from the company's initial staffing in its Mexican plant a dozen years ago, Francois said.

"Just about everybody I've spoken to seems to be doing well. Either they're adding new capacity or new business is moving in," said John Riley, chief executive officer of BC Manufacturing, a San Diego-based company that manages maquilas. "We're even seeing some tightness in the labor market."

Automotive Upswing

One sector clearly on the upswing in Tijuana is automotive, driven by the continued expansion of Toyota Motor Co.'s assembly plant that churns out Tacoma pickup trucks and truck beds.

The plant, which opened in late 2004, produced 33,000 trucks and 180,000 truck beds in 2005.

This year, the expanded plant should produce 50,000 trucks and 200,000 truck beds.

Employment is expected to rise between 150 and 200 people, bringing the total employment to about 950, said Leonardo Sarabia, Toyota's external affairs specialist.

While the bulk of the production is shipped to the United States, about 10 percent of the trucks are sold in Mexico. The plant also supports some 400 other workers employed by various auto parts suppliers to Toyota, Sarabia said.

"A lot of the jobs that were at auto plants in the Midwest and Canada that are cutting back and laying off people are coming to Mexico," said Gary Swedback, president of NAI Mexico, a commercial real estate brokerage with 10 offices in the country.

Swedback is understandably bullish on the Mexican economy, and particularly in Tijuana and northern Baja California.

Increased levels of political unrest that took place during last year's hotly contested presidential election are certain evidence that Mexico is changing for the better.

In 1968, when university students took to the streets, protesting government policies, they were summarily shot, Swedback said.

While an economic contraction occurred from 2002 to 2004, the trend has definitely reversed and many of the vacated plants during that time have found new tenants, while other plants are expanding operations, Swedback said.

Regarding the once robust electronics sector, several companies that stuck it out during the lean years, such as ADI, a Taiwanese maker of televisions, added new production lines, Swedback said.

Mexico Welcomes Foreign Investors

Labor expenses may be cheaper in other parts of the world, but Mexico's proximity to the United States and a generally stable work force are driving increased foreign investment, say local observers.

"In the last three years, in talking to HR and plant managers, we've seen a gradual increase in salaries and an increase in the sophistication of the type of manufacturing that is going on in Tijuana," said Alejandra Mier y Teran, executive director for the Otay Mesa Chamber of Commerce.

The increased development on the Mexican side is creating added facilities on the U.S. side, Mier y Teran said.

"Recently we had five new manufacturers move to Otay, including one that is a supplier to a major manufacturer of high-definition televisions in Tijuana," she said.

In terms of enhanced services and business, perhaps the biggest driver is all the new condominium projects and hotels that are being planned for Baja and in other parts of Mexico. One of the largest, a 526-unit condo hotel south of Rosarito Beach, is being developed by real estate mogul Donald Trump.

Another clear signal that Mexico is getting serious about improving its infrastructure are announced plans to construct a major cargo shipping port at Punta Colonet, some 150 miles south of the border.

The estimated \$2 billion project would handle a surge of containers emanating from Asia that now unloads at the overcrowded ports of Los Angeles and Long Beach.

Longer Lines At Ports

Closer to home, plans are on the books to build an expanded and modernized port of entry several miles east of the existing port of Otay Mesa, and to expand the San Ysidro port by eight lanes, but those plans are years away.

In the meantime, the wait times at both entry points have lengthened as customs inspectors take longer to inspect vehicles to stem the flow of drugs, illegal immigrants and possible terrorists.

A 2005 study on the cost of waiting at the local ports of entry done by the San Diego Association of Governments found that the average wait time that year of 45 minutes resulted in a loss of \$1.28 billion in potential revenue, and overall lost economic impact between \$2 billion to \$2.5 billion.

Nathan Owen, a policy coordinator for San Diego Dialogue, an independent research center concentrating on U.S.-Mexico border issues at UC San Diego, said while the border economy and interaction with San

Diego-based businesses presents enormous opportunities, it also is the region's biggest challenge.

"San Diego wants to be the gateway to Mexico, but when you create a bottleneck at the gateway, that's not good," Owen said. "When the waiting times at the border are sometimes reaching as much as three hours, that's a big, big disincentive for business."

Yet for many working in Tijuana and having an understanding of where Mexico has been, the general impression was one of optimism, and expectation of things getting better.

"I've been working in Tijuana for about 15 years and this is the first time in my career that I've seen every type of development — industrial, commercial, office, residential and hotels — all growing at the same time," said Swedback of NAI Mexico.

"The analogy that I use is that I liken to Tijuana in 2007 as similar to where the United States was in the late 1940s. Back then there was a tremendous need for infrastructure and a pent-up need for housing. We know today that period also presented us with some tremendous opportunities, and I see the same situation happening in Tijuana."

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