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UNIONS AND THE NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA): The Canadian and Mexican Experiences

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Abstract:

In this paper, the author outlines some findings from her comparative study of the Canadian and Mexican automotive industries in the NAFTA era.[1] Her central objective is to point out the social effects of this commercial agreement on both countries. From a historical-sociological perspective, she presents NAFTA as the continuation of a process that began in the late fifties, emphasizing the centrality of historical conditions, especially governmental economic policies and the status of labour relations.

Introduction

[1] This paper constitutes the first draft of my report on "Unions and the North American Free Trade Agreement: The Canadian and Mexican Experience, the fruit of my sabbatical year at the Centre for Research on Latin America and the Caribbean (CERLAC) at York University. Comments are welcome. The author thanks Carla Rocha, Marshall Beck and Kathy Kopinak for their support and the editions of this report.

The question we have to ask is: What gives GM the right to come into a community and use our people energy for twenty, thirty or forty years, pollute our water and poison our air, and then when they're finished with us, to throw us a way as casually as we would throw away an orange peel?

Ed Cray

In this paper, I outline some findings from my comparative study of the Canadian and Mexican automotive industries in the NAFTA era.[2] My central objective is to point out the social effects of this commercial agreement on both countries. From a historical-sociological perspective, I present NAFTA as the continuation of a process that began in the late fifties, emphasizing the centrality of historical conditions, especially governmental economic policies and the status of labour relations.

The paper is divided into three sections. The first examines the common adoption by Canada and Mexico of an economic policy supportive of domestic industry prior to the 1980's. I do not ignore the fact that behind this general policy trend, programs in support of foreign industry were also in place. This point is important to highlight under the commercial agreements of the late 1980's and early 1990's shifted toward the restructuring of domestic industry, the facilitation of linkages with international markets, and the further pursuit of foreign industry and investment.

The second section outlines the principal characteristics particular to the restructuring of the auto industry in each country. I present the case of General Motors to show how, in the era of commercial agreements, companies moved their investments more easily, free from governmental restriction, so as to increase profits while remaining unaccountable to workers, communities and host countries.

Finally, the third section discusses government policy on labour relations under Free Trade. I argue that while companies have been empowered, unions have been weakened and controlled, leading to the development of defensive union policies aimed at maintaining employment.

A brief preliminary comment: For many researchers, and for economists in particular, the main debate on NAFTA regards whether or not the agreement represents a new stage of capitalism. After reading the work of several other authors[3], I concur with those analysts that regard NAFTA as a continuation of the globalization trend, a trend characterized by: the high mobility of capital; support by national governments of multinational manufacturing and financial corporations; the elimination of commercial barriers between countries; and the absence of corporate accountability. In this paper, I treat NAFTA as formalizing one stage of a long process in the historical trajectory of both countries.

I. National Governments and Economic Changes

This section explores some of the historical characteristics of the economic models implemented in Canada and Mexico. I am particularly interested in showing the importance given during the 1960's and 1970's to domestic industry in comparison to foreign investment. I demonstrate that during this period, the foundations for future export-oriented behaviour, one of the most important characteristics of Free Trade era, were established

I.1 From Domestic Manufacturing to International Production

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[3] Reviewed materials include: Ricardo Grinspun and Maxwell Cameron (Eds.), The Political Economy of North American Free Trade, St. Martin's Press, New York, United States, 1993; Saskia Sassen Globalization and its Discontents, "Essays on the New Mobility of People and Money", The New Press, New York, 1998; and Marianne Marchand and Anne Sisson, Gender and Global Restructuring. Sighting, Sites and Resistances, Routledge, 2000. The review also included articles published in newspapers of both countries between 1985 and 2000.

This sub-section outlines some features of the Canadian and Mexican models with respect to commercial industry. Here I highlight the support given to domestic industry by national governments, while demonstrating the persistent presence of foreign capital in both economies.

Canadian industry has two important characteristics: 1) a strong link with American capital, and 2) a high concentration of activity in only a handful of companies. These two characteristics are closely related. Heron (1996), for example, asserts that Canada has traditionally been over-sensitive to world economic changes, due especially to the fact that a high percentage of the countries' industries are either domestic or subsidiaries of American companies, particularly transnationals. This means that they operate in accordance with the international model of labour division. From his point of view, the ghost towns of Northern Canada, the migration of workers at different times, and the recent closing of various industries have resulted from instability in the Canadian economy.

The concentration of capital in Canada began during the 1930's and increased after the Second World War, especially in manufacturing and resource industries. The following three decades, from the 1940's until the end of the 1960's, were most important for Canada's industrialization. Industrialization was accompanied by a high concentration of ownership in a few companies. This process was accelerated during the 1960's through various corporate mergers. For example, in 1965 it was estimated that large firms employed over three-quarters of all persons working in the manufacturing sector of the economy (Rinehart, 1996, p. 54). Although there were small and domestic industries, giant corporations dominated the Canadian economy. This monopolization process continued during the 1980's and 1990's. For example, in 1983 "there were 397,965 firms in Canada, but just 500 (less than 1 percent) accounted for over one-half of all assets and profits" (Rinehart, 1996, p.54).

During the 1980's, the Canadian economy experienced a strong crisis, especially in some sectors such as the automobile industry. Increased international competition was a principal causal factor. The Canadian government responded with monetarist measures, the most significant being control of the inflation rate and the reduction of welfare programs. According to Rinehart, the Free Trade Agreement (FTA) of 1989 with the United States worsened the state of Canada's economy by leading to high interest rates and an inflated Canadian dollar. A worldwide recession led to a record number of bankruptcies, plant shutdowns, and relocation to lower wage regions outside Canada. The problem was especially prominent in the manufacturing industry. For example, between January 1989 (the inception of the FTA) and December 1991, Canada lost 461,000 manufacturing jobs. It was estimated that 1 in 5 manufacturing workers lost their jobs. This issue became even stronger with NAFTA. While Canadian Statistics show that the manufacturing sector expanded 16.3%[4] during the period between 1995 and 1999, it appears that this increase was experienced in the Petroleum and Coal industries, which benefited from free trade.

The Commercial Agreements had different effects on various segments of the industrial sector. The most affected companies were domestic, due to their smaller size and older technology. The food sector lost 65,000 employees; wood products, 45,000; leather, 31,000 and garments, 30,000, (Cameron, 1993, p.10). Other sectors, such as the auto industry, opted to move their operations to southern regions of the United States or Mexico while restructuring some operations in Canada in order to cut costs and remain competitive with Asian manufacturers.

The Mexican case has some similarities with the Canadian story. Mexico's manufacturing industry began in the 1940's, when the Mexican government made a decision to support domestic industry and to protect the national market through policies associated with the Import Substitution Industrialization model (ISI).[5] The Mexican government sought to empower national entrepreneurs through different support measures such as: providing credit to small and medium companies; building necessary infrastructure;

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[4] For more information *Cfr.*http://www.statcan.ca/ english/ Pgdb/Economy/Economics/econ40.htm.

[5] ISI policies began during the 1940's and ended in the early 1980's, when the Mexican government decided to formally open the Mexican Economy to transnational foreign investment.

and controlling the labour movement among different official workers' centrals. At the same time, the Mexican government invested in sectors such mining, and electricity and petroleum production to ensure the sustenance of the 'paraestatal industries' (similar to Canadian Crown industry). The model hinged on the borrowing of money by Mexican government from foreign banks, especially American financial institutions.

After sixty years, ISI did not provide the expected results. The supposed Mexican Miracle - rapid industrial growth - from the 1940s to the mid-1970s had significant weaknesses. Governmental control produced an unbalanced and inefficient manufacturing sector.

> In spite of the intense capitalization of Mexican factories during the period 1960-1985, productivity advanced at a low rate. Total factor productivity (TFP), meaning that other factors, such as technology, management techniques, etc, are used moreover of capital and labour in the production, in the Mexican industrial sector grew at a rate of only 0.8 percent per year during this period (Velasco, 1993, p. 164).

On the other hand, most industrial development was concentrated in certain 'industrial poles' such as Central Mexico, and in particular industries such as iron and petroleum production**.** But links among industrial poles were limited. Additionally, the Mexican manufacturing sector failed to branch out from consumer goods production into the production of machinery and equipment. As a result, industrial expansion depended on imported machinery and equipment. This resulted in a trade imbalance. In 1981, the trade imbalance was so pronounced that "for every dollar's worth of manufactured goods that Mexico exported, it imported six of intermediate and capital goods" (Velasco, 1993, p. 164).

The social results were more worrisome. In spite of some benefits to the working class, particularly in health and housing services, the majority of the working class was affected in their wages due to government control. Moreover, ISI promoted the rise of domestic industrial oligarchy and concentrated profits in their hands, while there was an increase in the migration of the rural unemployed to Mexico City.

The end of the petroleum boom only served to further demonstrate the weaknesses and vulnerability of the ISI model in its Mexican manifestation. However, according to Velasco (1993), the profound devaluation of the peso created a buffer that protected the damaged Mexican manufacturing sector from total collapse.

The situation changed in the 1980s. The Mexican government discarded ISI policies and decided to link national industry with the international sphere, opening Mexico's doors to commercial exchange and foreign investment. Under this new model, the government first signed the General Agreement of Tariffs and Trade (GATT) in 1986 and then NAFTA with the United States and Canada in 1994. The main objectives of the latter agreement were to increase Mexico's commercial exchange with both countries in order to decrease its national debt.

Mexican economic liberalization led to important economic changes where the Mexican Government was the principal actor. First, the government forced national companies to produce quality products efficiently for the international market via different programs. The challenge was very difficult for domestic industries, as they were primarily small- and medium-sized operations with a low technological level. Responses were varied. Some employers decided to close their plants while others attempted to up-date their equipment and to maximize labour flexibility.[6] Yet others formed *joint ventures* with foreign companies.

Second, the government privatized several mining and communications companies in the hope of rendering them more efficient and productive.

Third, the government began important programs to support companies with the capacity to export. Among these programs were: the Temporal Importation Program to Produce articles for exportation (PITEX – the Spanish acronym)[7]; Refund

[6] Examples of how some national companies confronted these challenges can be found in Francisco Zapata (coord) *Flexibles y productivos? Estudios sobre la reestructuración industrial*, El Colegio de México, 1998.

[7] In May, 1999, 678 Mexican companies were registered in

of Taxes to Exporters (Draw Back); and Highest Exportation Companies (ALTEX – the Spanish acronym)[8]. These programs were announced from the mid-1980s to the mid-1990s.

Finally, other industrial programs, such as Maquiladoras, which originated in the mid-1960s, were given more importance in the new Mexican industrial model.

Despite these government efforts to encourage export-oriented industries, the impact on national industry was minimal. Since the mid-1980s, the Mexican manufacturing sector became less and less important as a segment of the economy. In 1990, manufacturing employed 27.9% of the labor force. In March 2000, the manufacturing sector employed 1,479,000 workers. According to the same source, this sector experienced an increase in employees of only 6.1% between 1994 and 2000[9]. Only a few Mexican companies, particularly those from the Monterrey Industrial Group, (through, mergers or alliances with foreign companies, managed to stand out in the international scene. A high percentage of smaller and medium-sized companies) especially those located in the interior of the country, continued to produce for the national market, also using the advantages of labour flexibility as a means of survival. These industries are crucial in older industrial regions of the country such as Guadalajara, Puebla, and Mexico City.

I.2 NATIONAL GOVERNMENT AND FOREIGN INVESTMENT

This sub-section discusses the important role of foreign investment in the Mexican and Canadian economies, a crucial point to consider in evaluating the effects of recent Commercial Agreements. The automotive industry is used as an exemplary case study.

The auto industry was one of the sectors most supported during the peak period of industrial growth in Canada. The significance of this sector to the country's economy was deepened in the 1960s with the Canada-United States Automotive Products Trade Agreement (commonly referred to as Autopact), signed on January 18, 1965. With Autopact:

> Canada allowed the existing manufacturers of automotive vehicles (broken into three categories according to provincial licensing standards, as passenger vehicles, buses and special commercial vehicles) to import parts for use in the assembly of vehicles in Canada, and finished vehicles duty-free, provided that they met four conditions, two of which were embodied in Motor Vehicle Order 950 and two of which were side commitments between the individual companies and the Canadian government (Macdonald, 1989, p.10).

Autopact represented a strategy for achieving the objectives of the Canadian auto industry. The United States and Canada agreed to maintain a commercial balance between manufactured products and the vehicle sales in both countries. Also, there was an emphasis in the preference for product manufacturing with content input from both countries. For example, the United States allowed vehicles from Canada to be imported duty-free, provided that the vehicles contained 50% North American content (understood as Canadian and U.S. content), and vice versa (Macdonald, 1989, p. 11).

This program favored the North American auto industry but did not empower of Canadian industry. Although thousands of new jobs were created, the efficiency gap between Canadian and the US auto production diminished, and the trade balance between these two countries improved, there persisted strong concerns regarding the Canadian industry.

As in other sectors, most direct investment in the auto industry was by U.S. companies. Further,

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this program. (Commerce and Industrial Secretary, De la O, 1999).

[8] In 1991, the combined exports of these industries totaled 11,491.4 millions US dollars. Recently, it was estimated that each exported dollar has a national content of 74.4 cents (De la O, 1999).

[9] This slow growth represents a continuation of the depression of the Mexican industry experienced at the beginning of the 1980s. According to Velasco, between 1980 and 1991, manufacturing decreased from 22.3% to 17.7%. The most affected sectors have been non-durable consumer good industries, such as textiles, clothing, and leather (Velasco, 1993, p. 167).
(http://www.stps.gob.mx/302a/302_0067.htm and 0071.htm

when the Autopact was singed, the most important firms in Canada were of U.S. origin: American Motors, Chrysler, Ford and General Motors (GM). Later, Autopact concentrated the importance in the so-called Big Three: Chrysler, Ford and GM. These companies experienced large growth during the 1960s and 1970s. At the beginning of the 1980s they were exposed to competition by companies in other parts of the world, particularly Asia.[10]

Other factors complicated the situation for Canadian industry. For example, Macdonald states that:

> The difference in the way the Auto Pact was implemented in the two countries (multilateral by United States and bilateral by Canada) has been one the major source of friction between the United States and Canada and, within Canada, an irritant to Canadian parts manufacturers. The United States has seen its duty protection on imported parts from outside North America being eroded by the fact that a vehicle could be assembled in Canada using parts imported into Canada from countries other than the United States, which would have been dutiable if they had been used in an assembly plant in the United States. Canadian parts manufacturers also felt that they did not receive the protection of the Canadian duty when the vehicle manufacturer could import parts from countries other than the United States for use in Canadian assembly without duty (Macdonald, 1989, p.12).

Some authors have highlighted that other factors, such as management, work-force characteristics, geography, or product line specialization, also led to better results for the United States. In Canada, the greatest advantage of Autopact was the creation of employment and higher wages in the auto sector. Nonetheless, these advantages disappeared during the 1980s and 1990s when the industry introduced changes in production and relocated activities outside of Canada so as to lower production costs and be competitive globally. The FTA and NAFTA, combined with other government policies, led to the devaluation of the Canadian dollar, cutbacks of important welfare programs, and increased constraints on the labour movement.

Auto industry investment in Mexico was also pushed through different government measures. The Mexican government offered low taxes to encourage foreign investment in sectors such as the auto industry. In 1958, the Mexican government announced its first program in support of this industry. Initially, there were 11 auto companies operating in Mexico, the most important being Ford, GM and Fabricas Auto-Mex.

In 1962, the Manufacturing Decree for the auto industry required 60% local content for assembly and encouraged the development of the autoparts industry, but limited the vertical integration of automobile manufacturing. This decree increased the power of the first investments**.** In 1973, GM and Ford controlled 40% of total sales in the domestic market (Benneth, 1984, p.199). National manufacturers were at a disadvantage in comparison with foreign owners, especially with regard to tariff exemptions, access to credit, and technology, resulting in higher production costs for domestic companies (Healy, 1999, 181).

The Maquilador Program, in 1965, also had a significant impact on the auto industry. This program, characterized by lower wages and duty-free imports and exports along the Mexican border, allowed the inception of different plants, especially those focusing on the assembly of parts for supplying US auto companies located in the border region.

In 1972, the Mexican Government announced a new program to support the auto industry, which required assemblers to integrate at least 60% local content in their final products, based on direct costs of production. This approach led to a slight growth of the sector between 1970 and 1976 (Healy, 1999). In 1977, a new Decree 6.5% increased the production of vehicles but did not result in increased exports.

The Mexican economic crisis of the 1970s caused the downfall of the Mexican auto industry. This crisis hit the strong official and independent unions in the auto industry especially hard[11] by

[10] An interesting analysis of recent changes in the auto industry can be found in Thomas A. Kochan , Russel D. Lansbury, and John Paul Macduffie (eds.) After Lean Production: Evolving Employment Practices in the World Auto Industry, Cornell University Press, New York, 1997, 350 pp.

[11] Cfr. Ian Roxborough, “Labor in the Mexican Motor Vehicle Industry” in Rich Kronish and Kenneth S, op. cit.,

diminishing the sector's production and importance.

In 1982, the restructuring of the automobile sector began. President Miguel De la Madrid implemented a new Decree to support the production of exports in 1983. Most important was the decision to make 50% local content a goal rather than a requirement - if it was not carried out, there would be no penalty. The Mexican government tried to attract new investments and reduce the import of raw materials, and succeeded. During this period, Ford made an important investment in Hermosillo, Sonora, and General Motors did so in Matamoros, Tamaulipas.[12] In 1989, President Carlos Salinas de Gortari, in a new Decree, reduced the national content requirement to only 36% to promote links between domestic and international companies (Healy, 1999, pp. 271-273). Empowered by this decree, corporations made important investments to build new operations in Mexico. GM built important utilities in Ramos Arizpe, Coahuila and increased their export of motors. There was also an important increase in the export of autoparts. The 1980s and 1990s were especially important to the restructuring of the automobile industry in Mexico because corporations (especially Ford and GM) not only took advantage of the particular Decree for the sector, they also took advantage of other economic programs such as those which promoted Maquiladoras. According to Healy, in 1990, 30% of maquila workers worked in the auto sector (Healy, 1999, p. 275). Some companies, such as GM, employ most of their Mexican workers - 80.5% - in Maquiladoras. However, industrial success has only benefited the company; workers and local communities have been excluded from the benefits.

pp. 161-194, and Kevin Middlebrook, The Paradox of Revolution. Labor, The State and Autoritarisnism in Mexico, John Hopkins, University Press, United States, 1995, 464 pp.

[12] In her thesis, Claudia Robles analyzes the different strategies of local industrial groups to attract the investment of General Motors to Tamaulipas, and especially to Matamoros. See Claudia Mariela Robles González, "Los Promotores Industriales en Matamoros. See Claudia Mariela Robles González, "Los Promotores Industriales en Matamoros. El caso de Finsa-Grupo Arguelles", Master's Thesis, El Colegio de la Frontera Norte, Tijuana, B.C., 1998, 124pp.

II. NATIONAL RESTRUCTURING AND INTERNATIONAL COMPETITION: *The Case of the Mexican and Canadian Automotive Industries*

This section outlines some of the strategies that auto companies adopted during industrial restructuring. In particular, I mention how economic liberalization, through agreements such as FTA and NAFTA, increased the mobility of investments in this sector within and between countries, leading to the restructuring of companies. I use the case of General Motors (GM) to exemplify this restructuring in both Canada and Mexico. I argue with respect to the Canadian case that economic liberalization has led to de-industrialization, while in the case of Mexico it has resulted in a precarious industrialization based growth of the maquilador sector with the poorest of labour conditions.

Prior to engaging in an in-depth analysis, it is important to share some data about GM. Until the mid-1990s, GM had operations in 53 countries and employed 711,000 workers around the world (Weekley & Wilber, 1996) of GM's various subsidiaries, Delphi Automotive System – known as Automotive Component Croup Worldwide, prior to February 1995,[13] was the principal supplier of components and systems to GM, as well as to other auto manufacturers. In 1999, GM decided to split Delphi from its GM operations in order to enhance the growth of this industrial branch.

According to Weekley and Wilber (1996), the key to the success of GM is based on the company's ability to organize internal relations among its different companies.

For GM, it is also very important to work with the total quality model (TQM). During the 1990s, under system of this organization, the concept of 'the team' was central. Accordingly, GM made decisions according company needs, not according to the needs of any particular country or society. So that "It's good for General Motors, as the managers of GM said, it's no necessarily good for any country in particular"**.**

[13] On the other hand, GM has businesses in driving insurance. In 1993, GM's total sales and revenues were calculated at 138.2 billion dollars (Wheekley/Wilber, 1996, pp. 32-33).

II.1 GM IN CANADA: *De-industrialization and the Absence of Accountability*

The proximity of Canada to the United States has played an important role in the Canadian economy, and in the auto industry in particular. The growth of the Canadian auto industry is very much related to what took place within the same industry in the United States. To begin with, the Canadian auto industry sprouted and spread around Detroit, the heart of the U.S. auto industry. Hence, the Canadian auto industry was built closer to the American Eastern border, particularly in the province of Ontario. In 1993, Ontario contained over 80% of the workforce of this industry. Among the communities where the industry was most concentrated were Windsor, Oshawa, St Catharines, Mississauga, Markham, Oakville and Scarborough. The other important province for this industry was Quebec (La Novara, 1995, p. 8).

During Autopact, the link between the industries between these countries was strengthened. According to Shantz (1988), this agreement allowed automakers to rationalize their production on both sides of the border. A calendar was also established for the industry's products, the velocity of its production lines, and the organization of work shifts for each plant. The organization's headquarters remained in the United States and automakers located their plants and products according to the need of the parent company and U.S. legislation (Shantz, 1988, 204-205).

This subordination of the Canadian industry rendered it vulnerable to the fluctuations in the US economy. For example, during the crisis of the 1960s and 1970s, both industries suffered. However, during the restructuring that began in the eighties, the relation was different. GM decided to move some utilities from the U.S. to Canada, mainly due to the lower wages that it could pay in Canada. GM began the strategy named *whipsawing* (competition between countries, plants, etc. to maintain investment) which became key in the Commercial Agreement era. Lower energy costs and lower wages gave Canada an advantage in comparison to the United States. Between 1982 and 1990, the number of people employed by the Canadian auto industry grew from 446,000 to 597,000 (La Novara 1995, p.9). The growth rate in this period was 33%.

The triumph of the Canadian auto industry during this *whipsaw* phase manifested itself in new investments for the production of new products, new plants of components, and improvement of utilities. However, this trend changed again in the 1990s – coinciding with the implementation of the FTA and NAFTA, which enabled capital to move freely across the countries' borders. The Big Three of the auto industry returned activities to some plants, or opened new utilities in the southern U.S and in the north of Mexico, primarily in regions characterized by a lack of unions and of industrial tradition.

These regions were named "greenfields" as opposed to the brownfields of the older utilities, due to the absence of industry and unions. To Canada, this represented the de-industrialization of an important sector of its economy, affecting thousands of workers and their communities.

The most difficult period was between 1991 and 1992, when almost half of the growth that took place during the 1980s was erased as employment dropped by over 70,000 jobs or 12% (La Novara, p.8). Organizations fighting against FTA and NAFTA, such as unions, argued that among the disadvantages to the Canadian auto industry resulting from these Commercial Agreements were the following: 1) domestic content was not high enough (65%) to force an adequate commitment on the part of the Japanese multinationals and others in North America, and 2) there were no Canadian safeguards for the industry vis-a-vis required content from Mexico or United States (CAW/TCA, 1992, pp. 17-18).

The company that experienced the most change during industrial restructuring was GM. In Canada, GM began its operations in 1908. By 1938, GM had produced one million vehicles. In 1965, the Autopact allowed GM-Canada to increase its production and sales dramatically: "…great years (after 1994), we (GM-Canada) were running around 2.5 millions units in sales" (Burrows, 1995, p. 10). Now, according their managers:

> GM of Canada has the capacity to manufacture more than one million units in a single year, generating significant export earnings by shipping out 85% of those vehicles to the United States. It satisfies a third of Canada's 1.2 million unit market, the ninth largest automobile market in the

world. (http://www.gmcanada.com/english/about/his_can_op.htm1).

In addition to manufacturing plants, GM also has other important investments in Canada. Among them are Hughes Aircraft of Canada; General Motors Acceptance Corporation (GMAC); Canadian Service Parts Operations (CANSPO); International Product Centre; GM Market Development (GMMD); Motors Insurance Corporation (MIC); Motors Holding Division; and - unique to GM Canada - the GM Cold Weather Development Centre in Kapuskasing, Ontario (http://www.gmcanada.com/english/about/hiscan_op.htm1). At the beginning of the 1990s, GM employed 30,000 workers in nine plants as well as in parts distribution, sales and service offices.

During the 1980s, GM began restructuring their Canadian utilities. The most significant investment was in Oshawa with Autoplex[14] - the most important of GM-Canada manufacturing operations, employing over 13,000 men and women "in the largest, most modern, integrated vehicle manufacturing complex in North America". At the same time, the company also began an important restructuring of their older utilities –carried out primarily through the closing of plants or the introduction of technological upgrades.

The early and mid-1990s were difficult years because important plants, such as Foundry in St. Catharines[15] were closing. GM justified these decisions, in spite of the mobilization against them of workers and local authorities, by stating that they were necessary to the company's survival. By 1997, GM had restructured their utilities in: Oshawa (four plants), St. Therese (one plant), St. Catharines (two plants), Windsor (one plant) and London (one plant). In those plants that GM continued to operate, they intensified the work by increasing production quotas. In its restructuring, GM moved utilities and people, and altered communities to suit their needs without demonstrating any accountability to the country in which they were operating or to their workers. Unfortunately, the Canadian government chose not to take any action to stop this restructuring.

As a more concrete example, let us examine in greater depth what occurred at the plant in St.Catharines. Located in the Niagara Region of Ontario, until the end of the 1980s this operation was composed of one plant for engines, one for components, and a foundry. The operation grew throughout the eighties and by 1989 employed 8,800 workers.

In 1991, GM-Canada, according to its production schedule, began restructuring the plant. The foundry, which was to be closed in the spring of 1993, was eventually closed in the fall of 1994. On December 3rd, 1992, GM made another restructuring decision regarding the St. Catherine's operation - to sell the components plant, or close it if a desirable offer was not made. In the opinion of GM-Canada, the components plant was not profitable, and it was better for the company to consolidate the production of rear axles in Buffalo and Detroit (GM, 1992). These changes meant that St. Catharines lost almost 3,000 jobs, impacting the local community extensively. According to CAW:

> An erosion of the range of products manufactured by GM at the St. Catharines complex has reduced the company's demand for labour. Employment levels have been further depressed by growing productivity and efficiency in the work that is still performed there. The St. Catharines complex now employs less than 5000 hourly workers, or just 60% of total employment at the plant in the late 1980s. Some 3000 jobs have been lost in the past decade – representing $150 million per year in lost wages to the Niagara regional economy, and over $30 million per year in lost income tax revenue to government (CAW, 1999, p. 5).

Despite the contrary opinions of local government and businessmen, the company maintained that closure of the plant was the best choice. Recently, GM

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[14] Improvement was characterized by the introduction a new flex body shop in the car assembly plant that allowed GM to build more models on the line, although it increased the intensity of the work for employees.

[15] Solange De Santis (1999) provides an interesting analysis of the closing of the Scarborough plant in 1993, looking at the effects on the workers and the community as well as at the absence of accountability on the part of GM.

introduced other changes in St. Catharines, including the mechanization of part of the plant and the signing of a memorandum of understanding for flexibility, negotiated in 1996. The union was engaged in this negotiation and in reciprocation for their support, GM promised new employment opportunities at the plant. In spite of this, the future of the St. Catharines plant is still not clear. The union's leader thinks that due to new technologies and changes in the production process, few jobs will be created.

Interestingly, although GM has not been responsible to the communities affected by the closure of their plants, the company has taken advantage of government support, such as unemployment insurance. Closing the Scarborough and St. Catharines plants at around the same time (between 1993 and 1995), signified an important loss of revenue to GM. But during these 'difficult times', GM had the support of the Canadian government through unemployment insurance. In spite of the amount paid by the company to the government and to laid-off workers, there were strong charges that GM have took advantage of government money, especially in the lay-off of foundry workers in St. Catharines.[16]

Finally, in spite of these changes, Canada continues to be important to GM due to the advantages it offers. According to the President of GM-Canada, among these are Canada's "well-developed infrastructure, the skilled workforce, a mature banking system that can support business, and good working relationships between government and business" (Burrow, M., 1995, p. 6). Lower wages and a highly productive workforce also entices the company to maintain operations in Canada. This was manifested in an increase in the profile of GM in Canada. In 1997, total profits for GM in Canada were calculated at minimally $1.75 million (CAW, 1999, P. 3).

The 1990s also witnessed a significant decrease in the profits of GM-Canada. In 1998, company profits were down to $750 million, due to downtime produced to retooling and strikes in the U.S. In spite of the important profile that GM-Canada obtained, it continues to request important concessions, especially from the government and employees, without compromising. In 1995, when NAFTA was recently introduced, Maureen Kempston, President of GM-Canada, said, regarding the behaviour of the Canadian government and workers:

> We need better access to capital markets around the world. As you know, Canada continues to impose withholding taxes on interest paid to non-residents. Government needs to look at some of those key issues to ensure we can access capital at effective rates. *Governments need to be cautious about the kind of regulations and legislation they bring forward* (emphasis added). We need more flexibility in workplace practice. We need the federal and provincial governments working together on restructuring and delivering services, and on eliminating overlap. We need governments today to focus on questions of affordability and consumer's disposable income" (Burrows, 1995, p.7).

According to Kempston, during the 1990s GM was in a transition period – changing from a multinational corporation with separate business entities in countries around the world, to a truly global corporation (Burrows, 1995, p. 9). This meant that the company was evolving into a phase where it would become increasingly less restricted in moving capital within and between countries. In Kempston's words: "General Motors *is* a large manufacturing company, but we *exist* to serve the demands of the marketplace". This suggests that, other than following the market, very little matters to the company. This declaration is especially worrisome when we consider that the livelihood of thousands of workers, families, and communities depend on the company's decisions.

II.2 GM IN MEXICO: ECONOMIC SUCCESS

This sub-section analyzes the Mexican auto industry and its growth in the last few years, looking particularly at industrial restructuring in the NAFTA era. My main focus is on the restructuring of the principal automakers in Mexico. I explain how the companies have taken advantage of different government regulations to pursue their objectives. I also outline the manner by which GM successfully

[16] A deeper discussion of this issue can be found in the *Globe and Mail*, November 21, 1995 and December 7, 1995.

achieved quality and efficiency, thereby increasing exports to the international market; namely, the Mexican Maquiladora Program. I take the case of Deltronicos Operations (in Matamoros, Mexico), an ex-plant of GM, whose ownership changed in the recent restructuring scheme of 1999, to demonstrate the economic success of GM in sales and productivity, as well as to illustrate the limited improvements in the plant's working conditions. On this last point, within the Mexican Maquilador landscape, Deltronics of Matamoros is one of the Mexican maquiladoras - but this does not translate into excellent working conditions.

I demonstrate that GM has experienced growth by taking advantage of the different governmental programs and opportunities found in different regions of the country. I show that, as was the case in Canada, the company has managed its operations according to its needs – the main objective being to maximize profits. However, improved profits have not been accompanied by an improvement of labour conditions.

GM began its activities in Mexico in 1936 with 48 workers. GM-Mexico (GMM), legally constituted as a company in 1985, has been differently restructured over time according the international schedule of GM and the regulations established by the Mexican government.

Like Carrillo (1999), I distinguish three important periods: first, from 1936 to 1960, GM was an assembler of autoparts for the domestic market and its activities were concentrated in Mexico City. Second, from 1960 to 1970, GM was an assembler of vehicles and a manufacturer of autoparts mostly for the domestic market, as well as a small exporter of engines. During this period, operations were concentrated in Mexico City (truck assembly) and Toluca (engine manufacturing), and GM began to form important alliances with Mexican companies. In the last period, from 1970 to 1995, the company's main objective was to increase exports to international markets. New plants were constructed in Ramos Arizpe, Coahuila and Silao, Guanajuato. In my opinion, 1995 marked the beginning of another era for GM, characterized by internal restructuring in its composition of capital.

Since 1995, GM changed the production processes of several plants, especially those under the Maquiladora regimen, and fused them with the Delphi Automotive System, eventually making Delphi an autonomous company. Although GM emphasized that Delphi was strong enough to consolidate, that plants of Delphi continue to be linked strongly with GM.

My analysis will focus on the two last periods: the export era and the era of capital restructuring. The export era of the 1980s and 1990s coincided in part with de-industrialization in the United States and Canada, aimed at lowering production costs and at producing with quality and efficiency for the international market. According to Bayón, the Mexican auto industry's restructuring has been characterized by high productivity and product quality, low wages, precarious labour conditions, weakness of unions, and unilateralization of the making of productive decisions (Bayón, 1997, p. 62).

The 1980s were distinguished by the construction of new utilities as export platforms, particularly in northern Mexico. General Motors built engine plants and assembly plants in Ramos Arizpe in 1981; established important autoparts plants (under the Maquiladoras regime) in Tamaulipas (1982-85), and opened an assembling and stamping plant in Silao. With these new utilities, GM-Mexico changed its industrial and labour characteristics. In terms of production, two new models were established: one was an older model used mainly in the domestic market in the interior of the country, and the other was extensively linked with international markets and was predominant in northern Mexico (Carrillo, 1999, p.8).

Industrial restructuring also involved *whipsawing* between older and newer plants. Most affected were the older utilities - plants with long histories in Mexico City were now closing. For those operations, more modern methods were implemented. Trends such as the feminization of the labour force; segmenting skill categories (with the majority of workers in unskilled jobs); lowering real wages; and introducing a non-union-orientation (Kopinak, 1995, p.71) became common in such plants. This resulted in a stronger labour movement, which GM controlled with the support of the Mexican government.

In the new plants, the most significant change was the increased intensity of work. General Motors referred to its technological strategy in Ramos Arizpe and Silao as "simple technology and strategic automatization", meaning lower utilization of technology in key areas and an increase in the number of direct workers. Bayón (1997) also has emphasized that an important factor in the success of these plants was the flexibility of labour conditions without problems for managers.

NAFTA provided other advantages to these new companies by revoking the local content requirement; allowing imports of autoparts; and reducing taxes. Ultimately, this increased the number of exports (Carrillo, 1999, p.8).

The most important industrial complex of GM for exports in Mexico is Ramos Arizpe.[17] This complex has an engine plant, a vehicle plant, a stamping plant and a painting line. The complex exports vehicles to Japan, Canada and Central America. This plant produces Chevrolet, Cavalier, Pontiac Sunfire, Chevrolet Chevy Value Leader, Chevrolet Chevy Joy, Chevrolet Chevy Swing, and Chevrolet Monza Motors V6 models.

The period of capital restructuring in GM-Mexico began in the mid-nineties when different plants under the Maquiladoras Program were integrated in the supply of GM-Delphi. This restructuring signified production changes at different plants, particularly in Tamaulipas. General Motors established important autoparts companies during the 1980s in the three most import Mexican border cities: Matamoros, Reynosa and Nuevo Laredo. In total, General Motors has five plants in these regions: Alambrados Automotrices in Nuevo Laredo, which manufactures harnesses and dashboards; Delnosa in Reynosa, which manufactures electrical components; and three plants in Matamoros: Componentes Mecanicos de Matamoros, S.A., de C.V., which assembles vinyl dashboards; Rimir, S.A., de C.V. which manufactures automobiles; and Deltronicos de Matamoros, which assembles and repairs radios, CD players, and stereos, and manufactures plastic products. The largest investment is in Matamoros. There, GM employs over 10,000 workers, almost a third of the total employment of Maquiladoras in this region. The mostly of these maquiladoras, maybe 80% or 90%, belong to by GM.

In the mid-1990s, following its international restructuring plan, various companies of General Motors changed their ownership to Delphi,[18] except for Deltronicos de Matamoros, which remains part of GM. The formal change consisted of adding 'Delphi' to the old name of the Maquiladora. The last company to join Delphi was Deltronicos de Matamoros, at the end of the 1990s.

According to the union's leader, during the ownership changes of Deltronicos, they signed different agreements to produce new products since their production was lagging behind. In this process, GM introduced new technology and reduced the labour force. The agreement was especially problematic for local leaders, but they considered it a good decision because it allowed them to save most jobs, especially in Rimir (I.L.M, May 2000).

In April 1999, GM made another important decision. It decided to sever the link between GM and Delphi, according to the following terms:

> (The) Board of Directors (of GM) has approved the complete separation of Delphi from GM by means of a tax-free spin-off. As a result of the board's action, 80.1% of the ownership of Delphi, 452.6 million shares of Delphi common stock now owned by GM, will be distributed to owner of GM $1-2/3 per value common stock (http://delphiauto.com/index.cfm?location=753)

This decision represented a formal separation between the two companies. GM stated that "…the spin-off provides Delphi the opportunity to achieve the full benefits of an independent company". Delphi's managers added the following:

> We believe that we will have greater opportunities as a full independent company to leverage our technical expertise in a broad

[17] Other GM complexes are the Manufacturing Complex in Toluca (foundry, engine plant, assembly of trucks and Engineering Center, and Spare Parts Operations) and the manufacturing complex in Silao (assembly plant and stamping plant) (http://www.gm.com.mx/conozca/plantas.html).

[18] Jorge Carrillo (1999) said that in 1999, Delphi-Mexico had 58 Maquiladoras located in 12 Mexican states and was involved in 18 *joint ventures* with Mexican companies.

> range of product lines, our strong system integration skills, our expansive global presence and our significant scale advantages (http://delphiauto.com/index.cfm?location=753).

With the separation, the companies of Delphi could also "expand [their] revenue base through sales to major automotive vehicle manufacturers[19] other than GM". In practice, they continued to produce mainly for GM; in the case of Deltronicos, between 60% and 70% of their production was for GM.

Deltronicos de Matamoros, now Deltronicos Operations, belongs to the Delphi Delco Electronics Systems, owned by Delphi Automotive System. The company was established in Matamoros in 1979 and its focus has been the manufacturing of radios and electronic products for automobiles. According to their managers, in 2000 Deltronicos was going to manufacture 80% of the car radios that Delphi Delco Electronic System sells to clients throughout the world.

Until 1997, Deltronicos was a direct investment of GM though its ownership of Delco Electronics of Hughes Electronics. In 1997, this company became part of Delphi Automotive Systems. This change favored Deltronicos by turning the company into a leader of electronic systems for automobiles. All of the company's production was aimed toward export.

Deltronicos was also presented with different certifications for production quality at the international level. In 1994 it received ISO 9000 certification and in 1998 it obtained the environmental certification of ISO 14000. Different clients have recognized the high quality of their products. For instance, the plant has obtained the NUMMI Partnership Award and the CAMI President's Award. The company was also distinguished with certification QS-9000, (Deltronicos Operations, March 2000).

Deltronicos Operations has as its principal goal the satisfaction of its international clients. Its motto is "to exceed the expectations of the client". The total production of the company is directed to different assembling plants, located mostly in North America. Among its clients are: General Motors (60%), Toyota Motor Company in Japan and the United States, Phillips, Volkswagen in Germany and Mexico, and the truck lines of Peterbilt, Volvo, Freightliner and John Deere.

Deltronics' success has resulted in an increase in the number of its employees. In March 2000, the company employed 5,800 workers, mostly women (70%), distributed in three shifts. The majority are involved in direct - that is, intensive and mostly unskilled - work. They are organized in teams referred to as 'operations', which are organized so as to allow Deltronicos to respond quickly to the demands of the international market.

From a business perspective, Deltronicos appears a complete success. However, the story is different when one examines the company's working conditions.

III. Labour Relations & Union Limits

In this section, I investigate the differential treatment that the Canadian and Mexican governments extend to capital and labour in their respective countries. While capital enjoys an enormous mobility inside and across countries, labour has been limited to narrow spaces and has lost most of its capacity to organize at the international level. I use the case of the Canadian Auto Workers (CAW) in its relation with General Motors in Canada, and the Sindicato de Jornaleros y Obreros Industriales y de la Industria Maquiladora (SJOIIM) in Matamoros, to illustrate these weakness.

III.1 The Canadian Experience: The Fight Against Union Subordination & Government Constraints

The recent challenges faced by the CAW derive from the historical characteristics of unionism in Canada. Particularly relevant here is the initial subordination of the CAW to United Auto Workers (UAW) and the participation of the Canadian government in the restriction of the union's activities. These factors resulted in the CAW's pursuit of defensive policies geared mainly at keeping jobs.[20]

[19] Sales to other manufacturers was not something new for these companies. For example, Deltronicos of Matamoros sold different products to other auto manufacturers as far back as the 1980s.

[20] An interesting history of the CAW can be found in Sam Gindin, The Canadian AutoWorkers. In Birth and

As with the Big Three automakers, Canadian auto unions have experienced significant interference by their US counterparts. In fact, their principal goals were born inside of the UAW. The UAW played a large role in the collective bargaining agreements of the most important companies until beginning of the 1980s. According to Kujawa (1971), the participation of members of UAW in the negotiations of the Canadian industry were very frequent.

In 1985, the UAW and the Canadian Union Autoworkers experienced significant changes. GM announced its intention to invest 1 billion dollars in Oshawa. GM also promised to invest more in its St. Catharines engine plant. In September 1995, the leader of UAW in Detroit signed a 'good Agreement'. The key point of this agreement was the acceptance of GM's plan to decrease wages, in return for maintaining the existing number of jobs. The Canadian union, then headed by Bob White, expressed that the Canadian operations would not agree to this pact (White, 1987, p. 262). The situation was complicated by a strike in Oshawa; the conflict resulted in the laying-off of 40,000 workers on both sides of the border, the closing of nine plants being in the U.S, and the loss of 30 million dollars by GM. Despite repeated attempts at negotiating from the Canadian side, GM did not alter its initial proposal, which was in agreement with the UAW. According to the Canadian leader, this was a fight against two adversaries: UAW and GM.

Due to this confrontation, Canadian membership decided to separate from CAW in 1986. Canadian leaders argued Canadian operations were not being respected and that Canadian workers in the Collective Bargaining were disadvantaged as they were earning a lower hourly rate than their US counterparts, even though the quality of their work was very high. After a difficult process, the Canadian union separated from UAW in 1985. The new name was National Automobile, Aerospace and Agricultural Implement Workers Unions of Canada, commonly known as CAW/TCA (French initials; White, 296-300).

Following is a discussion about the differences of CAW and UAW. From the perspective of the Canadian leadership, CAW differs mainly in its politics of social unionism. It is preoccupied not only with the issues of the company but the problems of workers and their communities. In contrast, UAW has inclined to be in agreement with the interests of managers. For some researchers (e.g. Kumar, 1997), the responses of the CAW to industrial restructuring reflect a mix of change and continuity in its politics. Others (e.g. Wells, 1997) identify a tendency for the union to unquestioningly accept company requirements regarding flexibility, shut downs, and other issues, especially in response to company threats to relocate its utilities to reducing costs. For such researchers, the CAW has practiced defensive unionism.

The CAW's inability to advance their struggle against company priorities has also been related to the form of industrial relations that has been dominant in Canada. According to different researchers (Wells, 1995; Panitch/Swartz, 1993 and Schenk, 1996), union action has historically been limited through government acts to regulate important labour issues, such as union registration and the right to strike. The principal consequences of these limits to union action include: the reduction of the union's participation in decision-making about working conditions; a lack of participation in decisions about changes in production; the increase of union bureaucracy in collective bargaining and growth of a gap between this bureaucracy and the rank and file.

Interference by the Canadian government was particularly strong during the 1980s and 1990s. According to Panich/Swartz (1993), this process began in 1982, resulting in: the cancellation of the right to strike for different unions; major coercion in dealing with unions; and a lack of consensus and cooperation between labour and government. Panich and Swartz (1992)underline the government's inclination to protect capital and to weaken the welfare state and the unions. This resulted in a new Social Pact where the top priority is to help companies to remain competitive at the international level.

According to CAW, between 1996 and 1999, the Canadian goverment modified and approved at least twenty labour regulations affecting their collective bargaining.[21] From this standpoint, "the trade union movement has made some gain in a few

Transformation of a Union, LORIMER, Canada, 1995, 289 pp.

[21] To consult these regulations in depth *Cf.* http://www.caw.ca/99convention/part2_labourlegislation.htm1

jurisdictions, but by-and-large, it has been a fight just to stand still with regard to legislative rights". According to CAW:

> A new trend has surfaced in government interference with free collective bargaining. Back to work legislation has been taken to a new anti-worker level with government imposing a collective agreement, often worse than the employer's final offer, accompanied with the thereat of unprecedented fines for unions or workers who do attempt to defy the legislation. [22]

The remission of different labour rights has been justified with the argument that Canadian companies need to be more internationally competitive. Automotive unionism has been especially affected by recent Canadian legislation: Bill 40, in 1995, promoted cooperation between companies and unions to increase productivity, allowed the flexibility of the labour force. This bill also facilitated the "combining of bargaining units of an employer and the same trade union, allowing part-time and full-time units to be joined as well as clerical production units, either in the same work location or in a geographically separate workplace" (Schenk, 1996, p. 197).

On the other hand, and especially important to the future of the workers, there was the extension "of agreements to cover successor employers and unions when there is a sale of a business". This agreement has protected, in the short time, workers affected by the sale, or change of ownership of some GM utilities - from GM to Delphi, for example. However, the future of these workers is not clear.

Finally, restructuring has proven very expensive for CAW. Between 1993 and 1999, the CAW membership decreased from 30,110 to 22,230 - a decrease of 25%. The most prominent losses were in Oshawa, St. Catharines and St. Therese. Equally astonishing is the fact that between 1996 and 1999, CAW's GM membership decreased from 28,510 to 22,230 - a decrease of 22%.[23]

[22]http://www.caw.ca/99convention/part2_labourlegislation.htm1)

[23] www.caw.ca/1999big3bargaining/factsandstast.hm1

II.2 THE MEXICAN EXPERIENCE: The Fight Against Union Control & Government Politics

This sub-section analyzes the relationship among unions at GM plants in Mexico. The case of Deltronicos Operations is presented to illustrate how union struggles have been to obtain even slight improvements in working conditions within this company. I emphasize that the principal adversaries of SJOIIM in this struggle have been the official unions and the government's policies. I also mention that while for SJOIIM, each of the benefits gained through collective bargaining has entailed strong confrontation with local and national unions and the government, for GM the relinquishing of these benefits to workers has entailed minimal cost minimum in the context of their enormous profits.

Relations between GM and Mexican unions are quiet until the 1970s. In these years, the union in Mexico City, although an official union (Confederación Regional de Obreros y Campesinos (CROC), obtained interesting advances in their agreement with GM. However, despite its strong fight against the restructuring of GM, the union ultimately could not keep the Mexico City plant open when, in the 1980s, GM decided to close it. The other union of GM in Toluca, which belonged to the Confederación de Trabajadores de México (CTM) was more conservative in behaviour. Finally, the union in the new plant in Ramos Arizpe, after a combative beginning, also turned conservative. In the 1990s, this union has been characterized by its collaboration with management decisions.

Unions in the Maquiladoras of GM differ from the other autoworker unions in Mexico City[24]. While some researchers (e.g. Healy, 1999) emphasize the importance of the m**a**quiladoras in the backward movement of the labour conditions the older automobile plants, for instance Ford-Hermosillo and Ford Cuautlitlan, little has been written about the

[24] In other studies (Quintero 1997 and 1998), I explore the importance of maquiladora unionsd. I have estimated that there is a 57% average rate of maquiladora unionization. In the northeast, from Matamoros to Piedras Negras, there is nearly 95% unionization, while in the northwestern cities (Tijuana and Ciudad Juarez) there is only 20%.

other, more traditional, kind of unionism in the Maquiladoras. The traditional union could be described as an organization concerned with improving the labour conditions.[25] The prototype of this union can be found in Matamoros, Tamaulipas.

When Maquiladoras arrived in Matamoros, they negotiated with SJOIIM, the principal union there with an established history dating back to the 1930s. The Maquiladoras signed, with SJOIIM, a collective bargaining agreement very similar to those of other local businesses. The Maquiladoras of GM, Componentes Mecanicos, Trico, Rimir and Deltronicos de Matamoros, were not exceptions; they also signed the agreement with SJOIIM. The relationship was good until 1989, when the union leader decided to remove all *delegados* (local union representatives of each plant) from the Maquiladoras in the Parque Industrial Finsa, where the largest GM investments are concentrated. The action was justified by a claim of collusion between these *delegados* and managers to violate the collective bargaining agreement. Despite managers' protests, the *delegados* were removed.

Another problem arose at the end of the 1980s - the demand for a flexible wage policy. According to Maquiladora managers, the wage policy of SJOIIM was questionable. In their opinion, they negotiated differently from other Maquiladoras in Mexico, especially those in the northern regions. The leader of SJOIIM established a special policy to negotiate with Maquiladoras: first, he asked for an annual increase in the minimum wage guaranteed values by the Mexican government. Second, in each revision of the collective bargaining agreement, he demanded for a wage increase, with the result that wage increases in Matamoros's maquiladoras were higher than in other maquiladoras. While workers in other companies got only 15% increases, workewrs in Matamoros's maquiladoras obtained increases between 30 and 40 %.

At first, these demands were not difficult for GM to meet due to the company's high profits in Mexico during the 1980s. However, by the end of the decade the demands were considered excessive, as GM confronted important problems regarding costs of production in the United States and sought to lower its wages in other countries, such as Mexico. This is especially important because the maquiladoras have taken advantage of Mexican wage controls,[26] a big advance for the important transnationals such as GM, SANYO, and Delphi.

Most maquiladoras, despite economic success,[27] continue to pay their workers minimum wage. This has had created two important effects: first, due to Mexican inflation during the 1980s and 1990s, workers' purchasing power has been significantly reduced. The minimum wage designated by the Mexican government is insufficient because it doesn't cover the basic needs of the workers.[28] In 1988, workers needed earn 2.7 minimum wages to buy the products needed to live, while in 1993, with the devaluation of Mexican peso, they needed 5.4 (Kopinak, 1995, p.80). Although real Mexican wages have lost purchasing power in general, Maquiladora wages remain the lowest among Mexican manufacturing industries. In 1994, an autoworker received 26.20 pesos per day, while a manufacturing worker received 46.44. Today (2000), a Maquiladora worker receives 76.09 pesos on average, while a manufacturing worker is paid 124.71 pesos per day. The index of wage discrimination between manufacturing and Maquiladora workers has

[25] In other research (Quintero, 1997), I have distinguished two types of maquiladora unions: traditional unions, concerned with improvements for workers, and subordinated unions more concerned with management priorities. I explain the differences by reference to industrial and union history in each region. I also geographically locate these two types of union: the traditional in the northeast and the subordinated in the northwest of Mexico.

[26] Traditionally, the Mexican government established a minimum wage according to the living costs of three geographic area. The border region, except the cities of Coahuila, belongs to Area "A" - the most expensive area. In 1998, the minimum wage in this region was 30.20 pesos per day, and in 2000, it was 37.90 pesos per day. Most industries, both domestic and foreign, pay this wage to their employees.

[27] Cameron (1993) mentions that the productivity of Mexican workers is closest to US workers in the same activity. However, Mexican workers receive lower wages than their US counterparts.

[28] The Mexican Labour Code defines 'minimum wage' as 'sufficient payment to a worker and his/her family for a decent existence'. However, various researchers (e.g. Kopinak, 1995) have highlighted the gap between this law and reality.

changed from 1.8 to 1.6.[29] The wage gap between Mexican manufacturing and maquiladora workers, in spite of the success of the maquiladora sector, has not changed.

Tamaulipas is an exception with respect to wages. The strength of the union in the state of Tamaulipas, and especially in the state of Matamoros, enabled workers there to receive slightly higher wages relative to other Maquiladoras. For example, in 1994, the average wage of Maquiladora workers nationally was 26.20 pesos per day, while in Tamaulipas it was 31.03. In 2000, the average was 76.09 pesos per day, and in Tamaulipas 90.83. However, the data also shows that although maquiladora wages in Tamaulipas are higher than the sectoral average, they are still lower in comparison to wages in other manufacturing industries. Moreover, this improvement in wages and benefits has been very expensive for SJOIIM, especially because it has been punished by the CTM as well as the national and local government. For example, in 1990, the CTM national organization recognized a new union, the Sindicato de Planta de Maquiladoras del Municipio de Matamoros, with the right to unionze maquiladoras in Matamoros. Moreover, in 1993, Agapito González Cavazos, the leader of the SJOIIM who had been central in gaining higher wages for Tamaulipas workers, was imprisoned and accused of supposed tax evasion, without the CTM defending him. Later he was freed in the absence of sufficient evidence. In spite of these attacks, the SJOIIM continues to count on the membership of most maquiladora workers in Matamoros. Its membership in 2000 was estimated at 45,000 workers, of which almost 10,000 were GM workers (until 1999; they are now Delphi employees).

Due to Collective Bargaining the Maquiladoras of GM (now Delphi), have become the best paid in the region. In spite of protests by managers, the collective bargaining agreement has retained most of their former benefits and wage rates. Among the Maquiladoras of GM, Deltronicos pays the best wage. According to the last negotiation signed in February of 2000, an operator in Deltronicos earns 123.59 pesos per day and an assembler (the lowest position in the production process) 119.93 pesos per day. SJOIIM has also maintained the linkage between benefits and seniority. Thanks to SJOIIM, the turnover rate in Matamoros, , is very low.

However, the future of this union is not clear. The local and national government and the official unions consider the SJOIIM to be inflexible[30] and old-fashioned in its objectives. Despite these criticisms, SJOIIM continues to fight for the improvement of working conditions and overall better wages for their workers.

The change of GM to Delphi is not worrisome to union leaders. They assert that the change is only reflected in the company name and that Delphi should respect the past benefits and wage agreements of GM. At first glance, the union seems to be right as Delphi accepted the old collective bargaining agreement and recognized the wage increase and benefits. Also, the excellent quality and productivity of the workforce has allowed the company to succeed in Matamoros, but it will be interesting to see what takes place with the elimination of concessions to Maquiladoras in the up-coming years. My prediction is that GM, now Delphi, will keep the majority of its investment in Matamoros to exploit the comparatively lower wages, so long as its profits will continue growing. When this context changes, it will begin a process of de-industrialization similar to that experienced in Canada.

PRELIMINARY CONCLUSIONS

In this document, I have explored the social effects of NAFTA on autoworkers. I have tried to explain the importance of the historical context of each country because I consider this to be the best way of understanding these effects and of looking for possible solutions to problems that this Agreement has produced.

This paper compared the experience of a developed country and a developing country in the Free

[29] http://www.stps.gob.mx/302a/302_0083.htm and 0087.htm

[30] This opinion is held in spite of the decision of SJOIIM to allow changes of position among their workers inside of the plant, to accept temporary shut-downs in crisis stages of GM, and to accept firing in difficult times for the company, as required by the Mexican Labour Code

Trade era, showing that at this moment, these experiences are more similar than different. I specifically highlighted the impact of governmental policy on the characteristics of the national economy and the labour movement, while showing the difference between the relations of capital and the state versus those of unions and the state. I also mentioned that while NAFTA has represented the liberation of capital, it has signified a limitation on the possibilities for action by national unions.

Finally, I have emphasized the lack of company accountability, especially in the case of trasnationals, to workers, communities and countries. In the Canadian and Mexican experiences, capital (represented by General Motors) has had a singular objective: to maximize profits. Companies use workers and countries with pragmatic objectives and forget their responsibility to the societies that help them to make their profits. The support of government has been very important in empowering capital and encouraging this behaviour. In both countries, unions have proven afraid to break the limits that capital and government have imposed on them. A defensive unionism has resulted, characterized by collaboration with companies and a reluctance to challenge national policy.

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Methodological Notes

I would like to discuss some important methodological points with regard to this work. First, although the economic context constitutes an important background for my research, I wish to emphasize that my perspective is geared more toward a qualitative analysis rather than a quantitative study.

This paper also has some methodological limits. Specifically, I have compared the industrial sector at two different levels of production. The comparison was made between a traditional manufacturing plant which produces engines, axels, etc., as is the case of St.-Catherine's in Canada, and a more modern operation such as the assembly plant in Matamoros, Mexico. Methodologically, these differences are no that important to my research as I am not interested in the specific features of each plant, but rather in understanding the differences in strategies of the same company (General Motors) during the era of globalization.

Second, different economic programs are being pursued in the countries analyzed. Thus, I recognize that Import Substitution Industrialization (ISI) in Mexico and the AutoPact between the United States and Canada, are only mentioned superficially. It is important to remember therefore that although they are used as part of an explanation, they have not been evaluated or analyzed in detail.

Third, this document represents an unfinished research project. It serves only to highlight the most important points: some ideas require further work. Comments and suggestions for improvements are welcome.