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Notes On Planned Investments In U.S.-mexico Border Region

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The US-Mexico border is expected to remain a focal point for private investment before and after the North American Free Trade Agreement (NAFTA) is implemented. While much of the recent border development has come in the form of twin plants (maquiladoras), other types of projects are now emerging. One such project is an "industrial city" in Sonora state near the Arizona border. The project has been undertaken by Grupo Nafta, a partnership which brings together Canadian and German investors, the communal farm Ejido San Luis, and Mexican developers. Construction is due to begin in late March. The "industrial city" will be built on 3,217 hectares of land formerly owned by the Ejido San Luis near the Sonora community of San Luis Rio Colorado. With the support of Sonora Gov. Manlio Fabio Beltrones Rivera, the investors were able to take advantage of amendments to Article 27 of the Mexican Constitution. The amendments opened up ejidos communal or public lands to private investment (for more details on Article 27 reforms see SourceMex, 01/13/93). Grupo Nafta spokesperson Benito Prieto says the developers plan to spend US$2 billion over the next 15 years for construction of factories, businesses, parks, and residential areas, which will benefit an estimated 85,000 workers and their families. According to Prieto Toni, this is the first project of its kind in Mexico, and it could represent a model for similar projects in the future. Another emerging possibility for border investment is the installation of Mexican operations on the US side of the border. On March 11, for example, the Mexican company Elasticos Selectos announced plans to build a factory in McAllen to manufacture elastic bands for use in production of underwear. Proximio Sarkis, a co-owner of Elasticos Selectos, said proximity to US-based purchasers and a reduction in transportation costs were key incentives to locate the plant in McAllen. He said the plant which will operate under the name of Select Elastics of America is expected to begin operations in October, employing 200 workers. Nevertheless, Rolando Arriola, economic development specialist at Pan American University in Edinburg, Texas, suggests that, for the moment, few Mexican companies will rush to transfer operations to the US. Such investments could accelerate in the long term once companies realize the advantages of locating production closer to targeted markets in the US and Canada. (Source: Notimex, 03/10/93, 03/11/93)

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