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## **Strike at U.S. Plants Has Ripple Effect on General Motors Operations in Mexico**

*by LADB Staff*

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A prolonged strike at two General Motors plants in Michigan is having a negative impact on the Mexican automotive sector and could hurt other sectors of the economy. Workers at GM's metal-stamping and parts plants in Flint, Michigan, walked off the job in early June in a dispute regarding the company's plans to eliminate jobs and implement new work schedules at the two facilities. The strike at the two Michigan plants, which produce parts for many of GM's facilities in North America, has forced the curtailment of assembly operations in the US, Canada, and Mexico. Automotive-industry analysts said a larger issue for the striking United Auto Workers (UAW) union is the company's plan to expand operations in Mexico and other countries, which could transfer some manufacturing operations to GM's plants in Mexico.

Jaime Herrera, an automobile-industry analyst at LatinSource in Mexico City, said GM has already announced plans to invest about US\$5 billion to expand its Mexican operations in Ramos Arizpe, Coahuila state, and Silao, Guanajuato state. Meanwhile, the UAW strike against GM has already resulted in the layoff of several thousand workers at the Coahuila and Guanajuato plants. The strike has significantly affected the Silao plant, which depends heavily on parts from the Michigan plants to assemble passenger cars and trucks, primarily for export to the US market.

The Silao facility, which assembles popular GM models like the Suburban and the Silverado, exported more than 120,000 vehicles to the US market and other destinations in 1997. Maria Eugenia Santiago, a spokeswoman for GM de Mexico, said the company could soon be forced to shut down the Ramos Arizpe plant entirely unless the strike is resolved by the end of July or the beginning of August. Only maintenance workers and other nonassembly personnel are currently working at the Ramos Arizpe plant, which also exports a large percentage of its production to the US market. Reduced GM exports to affect Mexico's trade deficit for June Economists expect the sharp reduction in exports from the Silao and Ramos Arizpe plants to widen Mexico's trade deficit during June and July.

In a survey conducted by the daily business newspaper El Economista, responding economists projected Mexico's trade deficit at US\$40 million during June, partly as a result of the GM strike. They said the deficit could widen further to US\$200 million in July if the strike is not resolved by the end of the month. The recent decline in automobile exports, however, cannot be attributed entirely to the strike. Exports from other automobile companies, such as Nissan de Mexico and Ford de Mexico, have also declined during the second quarter of this year. While the widening trade balance is reason for some concern, other economists said the greatest impact of the GM strike might be seen in statistics for industrial production. The automotive sector is projected to grow by only 18% or 19% in the second quarter of this year, a decline of more than 10 percentage points from the growth rate of more than 31% in the same period in 1997.

In a report published in early July, GM said its production in Mexico, the US, and Canada during June totaled only 237,000 units, or roughly half the number produced in June 1997. North American production for the second quarter of the year was 1.17 million cars and trucks, compared with 1.45 million in April-June 1997. Still, the reduced GM output in June did not halt the steady growth in automobile production in the first half of the year. Statistics published by the Asociacion Mexicana de la Industria Automotriz (AMIA) showed more than 729,000 motor vehicles were assembled in Mexico in January-June, an increase of 11.6% relative to the first half of 1997.

Volkswagen de Mexico, which introduced new models this year, helped compensate for the slowdown at GM. "Even though the industrial sector is still growing, the [GM] production slowdown is still going to have a negative impact on the economy," said analyst Juan Jose Vilches of Inverlat Brokerage house.

The GM strike is also having an indirect impact on related sectors of the economy, such as auto parts. Because of a lack of parts from the Michigan plants, GM has suspended purchases of complementary components from GM's Mexican-based subsidiary Delphi Automotive and from independent suppliers like Condumex and Grupo Saltillo (GISSA). GM was planning to purchase about US\$1.3 billion in auto parts from about 200 Mexican suppliers this year.

Delphi spokesman Michael Hissam said the strike has not totally shut down the company's Mexican operations, since the company's 53 plants also supply parts to other automobile manufacturers in Mexico. However, Hissam said the strike has forced Delphi to lay off or reduce working hours for almost 20,000 workers in Mexico. (Sources: El Financiero International, 07/06/98; Cox News Service, 07/07/98; El Economista, 07/07/98, 07/08/98; The Dallas Morning News, Associated Press, Reuters, 07/10/98; The News, 06/19/98, 07/13/98; El Universal, 07/15/98)

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