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Sonoran development plan will help state, director says

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Arizona stands to benefit from the efforts of a recently formed Mexican industrial development corporation, according to the director of the corporation's subsidiary in Tucson.

Lucian Spataro, director of Promo Toro Inc., says the international business the Mexican group hopes to lure to the border state of Sonora will aid the Arizona economy as well.

Promo Toro is the subsidiary set up to represent the U.S. interests of Promotora de Inversiones de Sonora, S.A., the first full-scale effort to promote foreign investment in Sonora.

PRISSA is being subsidized by Mexico's federal government and the state of Sonora, and is also receiving the support of Sonoran and U.S. businesses, Spataro says.

"Sonora has a lot to offer in conjunction with Arizona — there are capabilities on both sides of the border," Spataro says. "PRISSA has developed a regional marketing network of industries in the U.S., Europe and Asia to help us bring industrial growth into the area."

He says there are several reasons the industrial development group believes Sonora is attractive to international business interests — top on the list is inexpensive labor costs.

"Industries are having problems right now because of non-competitive labor rates, so they go to locations where they have competitive labor rates," he says. Because of peso devalua-

tion, Spataro says, current Mexican union rates are as low as 55 cents an hour.

Sonora's access to new markets will also be an attraction, he says. "Some interests have products that are material-intensive and not labor-intensive. These products can be imported and exported out of these countries at lower tariff rates."

Such conditions have encouraged more and more companies to pursue foreign investments, Spataro says. "The offshore (foreign investment) industry is a global industry right now and growing at a very rapid rate. Most of the big companies have already established (foreign) operations. Now some of the medium-sized and smaller companies are also moving operations because they have to remain competitive also."

Spataro estimates between 100 and 200 foreign firms will establish operations in Sonora by the year 2000. Such foreign investment will create between four million and seven million jobs in Mexico during the next two decades.

He says critics of the foreign investment movement who claim American jobs will be lost as a result of U.S. investment in Mexico are not looking realistically at the situation.

"To remain competitive today, industry has to market and manufacture in someone else's backyard," he says. "They're no longer competitive if they stay home. We are no longer (in) a local manufacturing and marketing situation; it doesn't exist anymore."

"The U.S. can't remain hamstrung. They have to jump in and play the game and acknowledge what's going on."

Arizona also will benefit from a reduction in illegal immigration that will result from higher employment in Sonora, Spataro says.

Luis Alfonso Lugo, assistant director of Sonora's industrial development department, who spoke for PRISSA at a recent press conference in Tucson, said union strikes such as the one at the Ford Motor Co. in Hermosillo, which began March 1, will not have an adverse impact on decisions by foreign companies to develop in Sonora.

"Less than 10 percent of the (foreign) companies are unionized," he said. "It is not likely that more will become unionized."

About 24,000 Sonorans are currently employed by foreign industries, he said.

PRISSA also plans to encourage U.S. companies to participate in a debt-equity swap involving trade of debt in the Mexican government for equity in a U.S. company that has a need for pesos in its operation.

The equity would be paid back at a low rate of interest to the lender, which is basically trading a high-risk debt in the Mexican government for a lower-risk equity in a U.S. company.

Sonora's department of industrial development and PRISSA will be kicking off a series of national and international seminars in May.