



Suddenly, Tigers Poised to Pounce on Mexico

Asians Sidestep U.S. Retaliation Via Maquiladoras

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Since President Reagan stripped Taiwan and South Korea of certain trade benefits a month ago, both countries have accelerated their exploration of ways to remain competitive in the marketplace, and one place they are looking is Mexico's *maquiladora* program.

Taiwan Fluorescent Co., for example, will open a plant in Tijuana in August, said Chi-Shine Tao of the San Diego consulting firm of Golden Net Worth. The move will allow it to resume shipping fluorescent lights to the United States, which it had halted because the 42% increase in the value of the new Taiwan dollar made the product too costly to export from Taiwan. Another Taiwan company studying the prospect of doing business in Mexico is Winning Toy Manufacturing.

Samsung, South Korea's big electronics company, and Lucky Goldstar, another major South Korean firm, are looking at Tijuana and Mexicali as possible border sites.

The *maquiladora* program allows foreign companies to bring equipment and raw materials into Mexi-

co duty free to be assembled there. The products are then shipped out of the country, almost always to the United States.

Maquiladoras derive their name from *maquila*, a fee Mexican millers collected for processing grain in colonial Mexico.

When Reagan signed the order removing duty-free status for the so-called four tigers—Taiwan, South Korea, Hong Kong and Singapore—enrollment more than doubled at a seminar on doing business in Mexico to be held in Taipei in March.

Beginning of Trend

"Enrollment went from 125 Taiwanese companies to almost 275 overnight," says Lucian Spataro, director Promoting Industries in seminars scheduled for February, March and April.

Kang helped the first Taiwanese firm, Delta Electronics, move to the Mexican border last September. Delta, which has a sales office in Nogales, Arizona, produces electronic components in Heroica Nogales, Mexico.

Taiwan manufacturers faces higher labor costs, which makes them less competitive in producing toys, suitcases, shoes, some electronics components, hands tools and auto parts, Kang said. The average factory wage in Taiwan is about \$15 a day, the equivalent of about \$1.60 an hour, compared to Mexico's average daily wage of \$6, or 70 cents an hour.

Major Japanese firms, including Sanyo, Hitachi, Matsushita and Sony, began establishing plants in Tijuana last year under Mexico's *maquiladora* program.

Taiwanese and South Korean firms were expected to follow the Japanese move, partly to remain competitive and also to protect themselves should the United States curb imports from Asia.

Closer to Marketplace

In addition, he says the rise in the value of the new Taiwan dollar against the U.S. dollar has increased the cost of selling to the United States, so Taiwan businesses are looking at ways to cut expenses.

Bryan Isaacs, a partner at the Century City office of Peat Marwick Main & Co., will be participating in the March seminar in Taiwan. "They want to be closer to the marketplace," Isaacs said. "They see benefits of being able to ship components and have them assembled closer to the United States where freight costs would be less."

Taiwan companies are subject to more lengthy procedures in qualifying to operate in Mexico because the two countries do not have diplomatic relations. Spataro at Promoting Industries in Sonora said Taiwan applicants must "fill out more forms, provide more justification. It is a more complicated procedure but it doesn't mean government doesn't want them there."