

# Bloomberg

## American Jobs Are Headed to Mexico Once Again

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March 31, 2017

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Twitter blasts can't reverse the pull of global competition

'It still makes sense to go forward with their business plans' After Donald Trump's election, the flow of manufacturers setting up shop south of the border dwindled to a trickle. [Ford Motor Co.](#) and Carrier Corp., caught in Trump's Twitter crosshairs, scrapped plans to move jobs to Mexico in two very public examples of the slowdown.

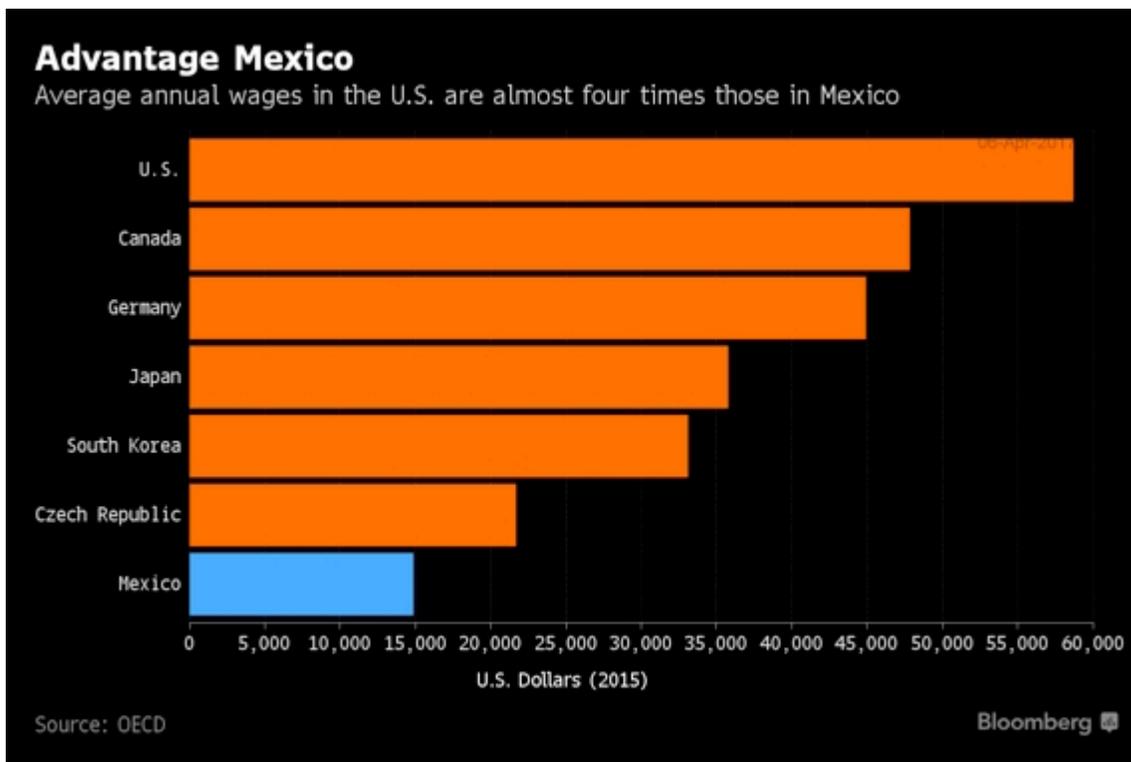
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But now the pace is picking back up. [Illinois Tool Works Inc.](#) will close an auto-parts plant in Mazon, Illinois, this month and head to Ciudad Juarez. [Triumph Group Inc.](#) is reducing the Spokane, Washington, workforce that makes fiber-composite parts for Boeing Co. aircraft and moving production to Zacatecas and Baja California. TE Connectivity Ltd. is shuttering a pressure-sensor plant in Pennsauken, New Jersey, in favor of a facility in Hermosillo.

While Trump hasn't stopped pounding his America First bully pulpit, and the future of Nafta remains uncertain, "there's cautious optimism and a hopeful attitude that cooler heads will prevail in Washington," said Ross Baldwin, chief executive officer of Tacna Services Inc., which facilitates relocations.

Baldwin has seen the evidence: After business ground to a halt back in November, he's now juggling two Mexico-bound clients. San Diego-based Tacna helps manage 4,500 workers in Mexico, **where factory wages are about a fifth of those in the U.S.** That may explain why Mexican manufacturing jobs rose 3.2 percent in January from a year ago as they dropped 0.3 percent in the U.S.

The renewed exodus shows how difficult it will be for Trump to turn the macroeconomic tide just by jawboning alone. This week, he trumpeted a Ford investment in Michigan plants with a cap-lock fanfare: "JOBS! JOBS! JOBS!" The \$1.2 billion will create or retain only 130 positions, though. (While Ford canceled plans in November for a new \$1.6 billion facility in Mexico, winning Trump's praise, it employs more than 7,000 workers in that country.)



Trump’s plans to renegotiate Nafta and talk of punitive tariffs can’t erase the need to manufacture in lower-cost countries, said Alan Russell, CEO of El Paso, Texas-based Tecma Group., which also helps open and operate factories in Mexico. **European companies tap the Czech Republic for low wages and Asia has Vietnam, and the U.S. needs Mexico to remain competitive with labor-intensive products, he said.**

“This isn’t about taking jobs from the U.S. -- It’s about saving companies.”

Russell helped [Firstronic LLC](#) open a factory in Juarez in 2014 to make circuit boards for customers including Audi and [Tesla Inc.](#) Workers, sporting maroon lab coats and wearing rubber straps on their shoes to ward off static electricity, make about \$10 a day running computer-driven machines that insert capacitors and resistors onto green boards and solder them into place.

The Juarez expansion -- and joint ventures in the Czech Republic and China -- was a factor in Grand Rapids, Michigan-based Firstronic winning larger contracts from producers of auto parts and medical supplies, said CEO John Sammut. His sales are surging at a 30 percent annual clip.

### Grow and Thrive

In Spokane, Triumph Group dismissed almost 80 production workers in January and plans to eliminate another 30 jobs by August as it moves work to Mexican plants, said Steve Warren, a local official of the International Association of Machinists and Aerospace Workers.

**“They are being pressured to supply parts as low cost as possible,” he said.**

Tapping cheap labor sometimes isn’t just about lowering costs, but accelerating growth. Large purchasers, including Kongsberg Automotive and Dura Automotive Systems, prefer to deal with a few global suppliers rather than a myriad of local companies.

**“If we were only producing in the U.S., we would lose out on the vast majority of the contract opportunities,” Sammut said. With the increase in business, Firstronic has added revenue and jobs in Grand Rapids, he said.**

Businesses haven't dismissed a Nafta renegotiation or policies being considered in Washington that might prove costly. A plan by House Republicans to implement a 20 percent border adjustment tax has raised concerns, especially among retailers such as [Wal-Mart Stores Inc.](#) that import many of their wares. The tax would be applied to sales of imported goods to reduce the U.S. trade deficit, which reached \$734 billion in 2016.

Trump repeated to a joint session of Congress last month his refrain that he will make it "much, much harder for companies to leave our country." But his recent stumbles -- travel bans blocked by courts and a health-care bill scuttled by his own party -- underscore the limitations on presidential power and the difficulty he may have punishing companies or overhauling Nafta.

At a February conference in El Paso to discuss how Trump's policies may affect trade, most in the room of plant managers, supply-chain officers and suppliers predicted Nafta would likely be changed but not discarded, and that the changes might not be harmful.

Whatever happens, Russell said his business fostering Mexican manufacturing will grow this year. The pressure to reduce costs is that relentless.

**"When you dissect the worst-case scenarios, it still makes sense to go forward with their business plans," he said. "It's a competitive world."**