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## Manufacturing in the El Paso/Juarez Region

The electronics and medical device sectors are growing quickly in this region despite safety concerns.  
By Bob Cook, President, El Paso Regional Economic Development Corp.

Oct. 7, 2009

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Annually, more than \$300 billion in trade occurs between the U.S. and Mexico, of which about 15% is transported via ports of entry that connect El Paso, Texas and Juarez, Mexico.

With more than 1,100 manufacturing operations in the region, it is one of the most important industrial centers in all of North America. A wide range of global corporations from more than 20 nations congregate here to produce automotive parts, consumer electronics, medical devices and more-and these operations typically consume an estimated \$8 billion in component parts, raw materials and services on an annual basis. There are some challenges, however.

Like most major Mexican cities-particularly those located on the border, the Juarez economy rises and falls with manufactured exports to the United States. Less than 20 months ago, there were more than 262,000 persons employed by manufacturing companies in the region, more than 85% of whom were in Ciudad Juarez. Today, slightly more than 190,000 manufacturing jobs exist in the bi-national region -- a significant 25% drop in manufacturing sector employment since late 2007. More than 2.6 million persons reside in the El Paso/Juarez region, also referred to as the "Borderplex," making it one of the world's most populous bi-national border communities.

Mexican exports to the U.S. are down approximately 24% through the first half of 2009 compared to the same period last year. (Note: Imports from Mexico into El Paso have declined only 16% through the first six months of this year, compared to Laredo, San Diego and the Arizona border which are down 24%, 19% and 21% respectively.)

The precipitous decline in regional manufacturing employment corresponds almost directly with the decline in Mexican exports to the U.S. with economic woes in the U.S. largely responsible. The U.S. unemployment rate now stands at 9.8%. Additionally, real gross domestic

purchases (purchases by U.S. residents of goods and services wherever produced) have declined for seven consecutive quarters dating back to the 4th quarter of 2007. Such purchases decreased 8.6% in the first quarter of 2009, followed by a 2.5% decrease in the second quarter of this year.

The automotive and electrical products sectors, which collectively provide almost 60% of all manufacturing jobs in Juarez appear to be the most heavily impacted by the recession. In the El Paso region alone, Mexican imports from each sector declined approximately 11% from 2007 to 2008. Preliminary information for 2009 indicates that automotive sector imports could be down as much as 34% and electrical products down by 25% this year.

Yet, some sectors in our region are still growing despite the economic downturn. In 2008, approximately \$7.89 billion in electronics products were imported into the U.S. via El Paso's ports of entry, 31% greater than 2006. There have been 22 new electronics manufacturers that have located in the Juarez industrial complex since 2000, led by Asian companies such as Enlight, Foxconn, Tatung and Wistron (formerly Acer). Both Foxconn and Wistron are undergoing significant expansions at present. Foxconn announced in 2008 that it would establish a campus just west of Juarez that will ultimately employ as many as 20,000 individuals, and Wistron will bring on-line more than 250,000 square feet of additional production space at their Juarez campus in the coming months.

The medical device sector is also thriving in the region. A 2009 study commissioned by our organization revealed that there are almost 300 FDA-registered medical devices (mostly Class 2 and 3) produced in our region across 16 medical specialties. About 70% of these devices are produced in Cd.

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Juarez by companies such as 3M, Accellent, Cardinal, GE Healthcare and J&J. The study revealed greater opportunities for production in cardiovascular, OBGYN and general surgery medical devices.

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