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Sociology 201

Essay #1

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### **Guanajuato: Driving Dependency and Global Capitalism into the Future**

*“ With the decision of Volkswagon to install an industrial automobile park in Guanajuato we have obtained one of the most important automobile projects in North America*

*-Office of the Governor, Guanajuato-*

The government of Guanajuato, México recently announced the arrival of another important international industrial plant to the region: Volkswagen. According to state officials, “This is the beginning of a new era of success for México, Guanajuato and Volkswagen.” The government also said, “This development reveals the government’s commitment to generate more and better employment.” While Guanajuato’s government talks about the arrival of Volkswagen as the beginning of a new “historia de éxito,” it is worth questioning the stability of this global economic development strategy. In the paragraphs that follow I analysis the case of global development in Silao, Guanajuato through a dependency lens. I argue that the global division of labor and production in Guanajuato creates a situation, which the Bajío region is dependent on the global economy.

Silao, officially known as “Silao de la Victoria,” is located in the center of México, in the state of Guanajuato. Originally, Silao was very small town located on the

railroad between Leon and Guanajuato City. Silao was and continues to be an agricultural area but the government of Guanajuato has pushed the state as an ideal location for foreign investment and their strategy has worked. This change, which began after president Salinas de Gortari signed NAFTA in 1994, is displayed in Table 1.1, that illustrates the number of export companies in the area registered with the government of Guanajuato. Table 1.1 shows that Guanajuato's export economy is dependent on the automotive industry more than its traditional agricultural economy.

**Table 1.1 Types of Companies Registered with the State of Guanajuato**

| GM Provider | Automotive | Agricultural | Other* |
|-------------|------------|--------------|--------|
| 14          | 7          | 4            | 14     |

Source: <http://www.silao.gob.mx>

\*Clay pots, cardboard boxes, transportation, bubble gum and candies, leather and supermarkets.

Although Guanajuato is traditionally an agricultural state, it is the sixth most populated state in México with more than 5 million people and during the last ten years the state has developed an automotive industry with more than 60 manufacturing companies and close to 25,000 employees. A list of automotive suppliers and their investments in the state is illustrated in Table 1.2.

**Table 1.2 Automotive Suppliers in Guanajuato, México**

Source: <http://www.siteselection.com/features/2009/jan/Mexico/>

Given the information above, while the government presents the new Volkswagen plant as “the beginning of a new history,” it is obvious that the plant is really part of the government’s strategy to create an automotive export center in the state. Guanajuato’s automotive industry is centered around the GM assembly plant in Silao, which is a 1.2-million-sq.-ft. (111,480-sq.-m.) plant that supplies jobs to more than 2,700 people. The question, however, is why has Guanajuato, a traditionally rural, agricultural area located in the central valley of Bajío, been transformed into an industrial belt?

According to Nick Criss, executive vice president of Cushman & Wakefield Mexico and a longtime observer of Mexico's automotive sector, "The central states are probably where anything will happen in the future. There's nothing happening at the border." Criss claims that “labor issues are the major driver of projects to the country's interior.” He also claims that wage rates in the Bajío region are lower than the major border cities and

Monterrey and more importantly, the labor in the central states is “far more dependable, with much lower turnover and absenteeism rates.” Criss also explains that the central states are “hungry” for investment and have been aggressive with incentives, primarily in the form of training, infrastructure improvements and tax discounts (<http://www.siteselection.com/features/2009/jan/Mexico/>).

Criss’s analysis demonstrates that the development of the industrial belt in Guanajuato is part of a global division of labor. Investors have come to the region because the region has a comparative advantage in labor and government incentives. This relationship is beneficial for the region because it creates thousands of jobs but in many ways the region is now *dependent* on a form of global production that the local government cannot control. The dependency of Guanajuato and Silao on the world market, and in particular, the United States, is evident in Table 1.3.

**Table 1.3 Exportations from Guanajuato for 2009**

| Exportaciones del Estado de Guanajuato por Principales Países<br>Destino y Municipios Exportadores<br>Periodo: Parcial 2009<br>(Millones de dólares) |                 |             |                          |                 |             |
|------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-------------|--------------------------|-----------------|-------------|
| PAÍS DESTINO                                                                                                                                         | Enero-Oct/p     | % Part.     | MUNICIPIO                | Enero-Oct/p     | % Part.     |
| ESTADOS UNIDOS DE AMERICA                                                                                                                            | 4,344.13        | 88.41%      | SILAO                    | 2,949.47        | 60.03%      |
| LUXEMBURGO                                                                                                                                           | 187.01          | 3.81%       | CELAYA                   | 526.41          | 10.71%      |
| CHINA                                                                                                                                                | 68.70           | 1.40%       | LEON                     | 361.95          | 7.37%       |
| CANADA                                                                                                                                               | 56.65           | 1.15%       | IRAPUATO                 | 334.35          | 6.80%       |
| AUSTRALIA                                                                                                                                            | 47.73           | 0.97%       | SALAMANCA                | 102.96          | 2.10%       |
| GUATEMALA                                                                                                                                            | 28.18           | 0.57%       | PENJAMO                  | 97.15           | 1.98%       |
| JAPON                                                                                                                                                | 17.02           | 0.35%       | SAN JOSE ITURBIDE        | 90.93           | 1.85%       |
| ALEMANIA                                                                                                                                             | 14.82           | 0.30%       | GUANAJUATO               | 82.93           | 1.69%       |
| COSTA RICA                                                                                                                                           | 14.04           | 0.29%       | SAN FRANCISCO DEL RINCON | 64.86           | 1.32%       |
| COLOMBIA                                                                                                                                             | 13.92           | 0.28%       | DOCTOR MORA              | 51.61           | 1.05%       |
| TAIWAN                                                                                                                                               | 13.44           | 0.27%       | VILLAGRAN                | 50.15           | 1.02%       |
| PANAMA                                                                                                                                               | 9.72            | 0.20%       | PURISIMA DEL RINCON      | 49.41           | 1.01%       |
| REPUBLICA DOMINICANA                                                                                                                                 | 9.30            | 0.19%       | CORTAZAR                 | 49.09           | 1.00%       |
| BRASIL                                                                                                                                               | 8.16            | 0.17%       | APASEO EL GRANDE         | 29.91           | 0.61%       |
| ITALIA                                                                                                                                               | 7.42            | 0.15%       | VALLE DE SANTIAGO        | 17.26           | 0.35%       |
| ESPAÑA                                                                                                                                               | 5.97            | 0.12%       | COMONFORT                | 14.95           | 0.30%       |
| VENEZUELA                                                                                                                                            | 5.23            | 0.11%       | ALLENDE                  | 13.11           | 0.27%       |
| MALASIA (FEDERACION DE)                                                                                                                              | 4.60            | 0.09%       | ABASOLO                  | 11.26           | 0.23%       |
| PAISES BAJOS (HOLANDA)                                                                                                                               | 4.42            | 0.09%       | DOLORES HIDALGO          | 7.19            | 0.15%       |
| EL SALVADOR                                                                                                                                          | 4.39            | 0.09%       | SAN LUIS DE LA PAZ       | 3.72            | 0.08%       |
| OTROS                                                                                                                                                | 48.68           | 0.99%       | OTROS                    | 4.86            | 0.10%       |
| <b>TOTAL</b>                                                                                                                                         | <b>4,913.51</b> | <b>100%</b> | <b>TOTAL</b>             | <b>4,913.51</b> | <b>100%</b> |

Source: <http://sde.guanajuato.gob.mx>

As Table 1.3 demonstrates, Silao is extremely dependent of the United States' market and as a consequence, if the U.S. market slows down, the local economy in Silao falls apart. An example of the instability of this situation is found in the case of the GM plant in Silao, which recently was in danger of closing down due to the economic crisis that began in 2008. Although the plant did not close, it did realize several production "freezes" that affected 2,900 unionized workers and 2,500 non-unionized workers. The company froze production from the 18<sup>th</sup> of May to the 26<sup>th</sup> of June, 2009 and then again from the 6<sup>th</sup> of July through the 12<sup>th</sup> of July, 2009 ([www.milenio.com](http://www.milenio.com)). The production freezes, known as *paros* in Spanish, affected the lives of GM workers and their families. During the *paros* Arturo Martínez, who has worked for GM for 13 years, claimed, "I'm not going to make it. I have a little metal and paint shop and I'm going to dedicate myself 100% to it. I don't have any ofther options because with what they are going to pay us, I won't be able to make ends meet. They're going to give us 55% but I have a Infonavit loan [mortgage] that I won't be able to pay. Infonavit takes 580 pesos and now that they only give us 55% of salary, I will only have 300 pesos left a week. We depend on this job." (<http://www.am.com.mx/Nota.aspx?ID=328187>).

As noted in the introduction, the government of Guanajuato presents the arrival of the new Volkswagen industrial plant as the beginning of a new "history of success" but as this essay shows, the history of automobile production in Guanajuato is not new. Rather, the arrival of Volkswagen is part of a recent strategy by the government to attract foreign automakers to the Bajío region. This strategy had led to the creation of a supply chain that is dependent on GM and other major automakers, soon to include Volkswagen. However, as the *paros* during the summer of 2009 demonstrate, this supply chain is dependent on international demand for cars. When the demand for cars in the world falls,

the stability of the whole Bajío region suffers and the government cannot do anything about it. This situation is surprisingly similar to the dependency that Marx claimed world capitalism would create, “The bourgeoisie has through its exploitation of the world market given a cosmopolitan character to production and consumption in every country. To the great chagrin of Reactionists, it has drawn from under the feet of industry the national ground on which it stood. All old-established national industries have been destroyed or are daily being destroyed. They are dislodged by new industries, whose introduction becomes a life and death question for all civilized nations, by industries that no longer work up indigenous raw material, but raw material drawn from the remotest zones; industries whose products are consumed, not only at home, but in every quarter of the globe (*Manifiesto Del Partido Comunista*, 2003: 27).”

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