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Proximity to Mexico Boosts Job Outlook for Texas town

By Riva Froymovich

Dow Jones Newswire

NEW YORK CITY — As the nation grapples with the highest unemployment rate in more than a quarter of a century, one Texas town is looking across the Mexican border to get back into the single digits.

Brownsville, Texas, like other border cities, has been among the hardest hit by the financial meltdown. The Brownsville-Harlingen region had a jobless rate of 16.8% in December, compared with a national rate of 9.7%, according to the Bureau of Labor Statistics.

But geography has been on Brownsville's side since the North American Free Trade Agreement. Now, this heavy industry town is hoping that the Obama Administration's goal of doubling exports over the next five years and strengthening trade relationships will help kick-start job creation, even as the national outlook remains uncertain.

Brownsville, one of the U.S.'s southern-most cities, was one of the first to develop a twin-plant industry, whereby companies produce products in partner factories on both sides of the border to take advan-

tage of cheaper labor. This industry is particularly important to U.S. auto makers, which manufacture almost the entire insides of their vehicles in Brownsville's partner-town Matamoros. Cross-border movements are tax free and about 1,200 trucks cross the Rio Grande between these two cities each day.

Together with the Mexican National Maquiladora Association, the Brownsville Economic Development Council is traveling around the world, selling Mexico as an entry point to the U.S. market, and Brownsville as entry to lower-cost Mexican labor. After all, Mexico is now the world's lowest-cost component manufacturer, beating China, according to a study conducted last year by AlixPartners business consultants.

Current top employers in the Brownsville-Matamoros region include Delphi Automotive, Keppel AmFELS, Cyoptics, Starkey and Chicago Sweeteners. The BEDC is visiting Brazil and Argentina with Governor Rick Perry to attract more.

"Companies are still in this region because it is the best place to serve the U.S. market ... they are here be-

cause they are making profits," said Jesus Cañas, an associate economist at the Federal Reserve Bank of Dallas and the author of a number of studies on the Texas-Mexico border.

The outsized growth expected in emerging-market economies this year, relative to developed giants, bodes well for Brownsville. Mexico's manufacturing orders, as well as sales in telecommunications and cars are climbing. The president of the Mexican National Maquila Association, Monica Gonzalez Greer, said in an interview that the twin-plant companies in Matamoros are back to full production with plans to return the workforce size to 2008-levels.

A study by the Federal Reserve Bank of Dallas showed that a 10% increase in production on the Mexican side leads to a 1.9% gain in employment for Brownsville, based on data between 1990 and 2006. That 10% increase results in a 4.0% rise in transportation employment in Brownsville, 1% gains in the retail sector and about 3.6% in services.

Additional help in reducing the unemployment rolls should come from the

federal government directly: Brownsville received about \$120 million in stimulus funds, of which about 80% is dedicated to infrastructure, the BEDC said. Recovery Act spending data show Brownsville was the 10th top recipient of infrastructure-related stimulus funds last quarter, and it is trying to attract companies less interested in Mexico with cheap real estate and taxes.

But Brownsville needs more than just a return of lost manufacturing jobs. Its economy has diversified over the last decade, however the average salary is still low. To entice higher-end employers, the city needs engineers and workers with knowledge of advanced technologies, reflecting a problem across the U.S.

Brownsville is targeting renewable energy, in line with Obama's new industries plan.

"We're refocusing on brain power," said Gilberto Salinas, vice president of the BEDC.

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