

German yuppie bankers lust for Nazi 'maquiladora' economics

by Helmut Böttiger

Unemployment is rising, rising, rising in Germany. If one asks Germany's economic and financial experts, there is only one reason for this regrettable process: High wages are simply "not competitive anymore." In fact, according to information from the World Bank in 1991, a Czech worker earned only 80% of what his western German colleague received. Polish workers received 60%, and Hungarians 30%. In Mexico, a worker earns one-tenth, and in Thailand only one-twentieth of what he would receive in Germany.

That suggested an idea to a pair of well-paid yuppies at the Dresdner Bank, an idea which, as so often happens, was borrowed from their "expert" colleagues in the United States, who in turn got it from Hitler's Economics Minister Hjalmar Schacht. The Dresdner yuppies trotted out their novel idea in an article in the bank's *Trends August 1992* entitled "Wage Enhancement in Eastern Europe: the American-Mexican Maquiladora as a Model."

In Mexico, the term *maquiladora* traditionally meant a corn mill run on a fee basis. The farmer would bring his corn, have it ground for a certain fee, and would then cart away his cornmeal.

On the U.S.-Mexican border, of course, we are not talking about corn mills. U.S. companies deliver raw materials and semi-finished products and have them finished ("enhanced"), and then take the end-product back to the United States. For the most part, these are assembly workers who labor for the entertainment and electronics industries, or assemble automobiles or household consumer items. To do this kind of work, one needs a certain amount of manual dexterity, but no further education. A certain training period and appropriate supervisory pressure are all that is required. Some 80% of the workers in these factories are women, who are trained and supervised by the men, who constitute the other 20%.

Eastern Europe targeted

Our German yuppies dreamed of something similar for Europe. Since 1989, they have been having visions of the vast possibilities for a more intensive "division of labor between German and the eastern European countries." For German firms, these countries are "especially attractive because of their proximity, their domestic market possibilities, their relatively favorable exchange rate, and their very low pro-

duction costs. Low wages with relatively high productivity also pay off. Additionally, the level of education of the workers is far higher than the other low-wage countries." And wage levels, they could have continued, are often even lower than in Mexico, for example.

The bankers can already proudly point to successes: "Over the last four years, the volume of direct German investments in low-wage countries has increased by 64% per annum." But even more interesting than risky direct investments are "the wage enhancement contracts being made by German producers." The German firm delivers the semi-finished product to the contracted firm abroad, has them assembled by the low-paid workers there, and then reimports them — the *maquiladora* principle. "Through this division of labor, the producer [i.e., the western German company] gains important cost benefits without having to sustain participation or investment risks." No wonder the volume of such contracts made by German firms in 1991 exceeded 10 billion deutschmarks (\$5.9 billion).

The bankers would also like to push through additional "beneficial" agreements with low-wage countries — for example, "special tax and tariff reductions," or even the establishment of "free trade zones," in which special wage and labor protection regulations that still exist on paper in eastern European countries, will be legally circumvented. In this regard, the Dresdner Bank yuppies orient themselves principally to the Mexican *maquiladora* programs, because the U.S. government has succeeded in abolishing all toll barriers there. "Production in a *maquiladora* is recognized as a conversion service that produces no profit in the host country, and for that reason remains free of import tax." They perceive still other advantages: "Moreover, less stringent environmental and worker protection regulations may play a role." Such a program would get secondary support through further measures, such as tariff reductions (since a tariff-free customs union is already presumed, they must be talking about special tariff allowances to be paid out by the host country) and infrastructure investments (which the host country would also have to put up).

It is therefore not surprising that under these idyllic conditions, "labor costs for a middle-sized U.S. furniture manufacturer sank to one-fifth of their previous level." The yuppies can also point to wonderful economic parameters for the

region: The *maquiladora* region has the lowest unemployment in the country, and production is growing there by a grandiose 13% per year. The new workers are also said to have increased the region's purchasing power.

What it's really like

But let us look at this "paradise" a little more closely than the bank yuppies would, because it might soil their silk suits and Gucci shoes. The following examples are taken from a travel report which Dr. Rudolf Welzmüller published in the *Gewerkschaftliche Monatshefte* in November 1992.

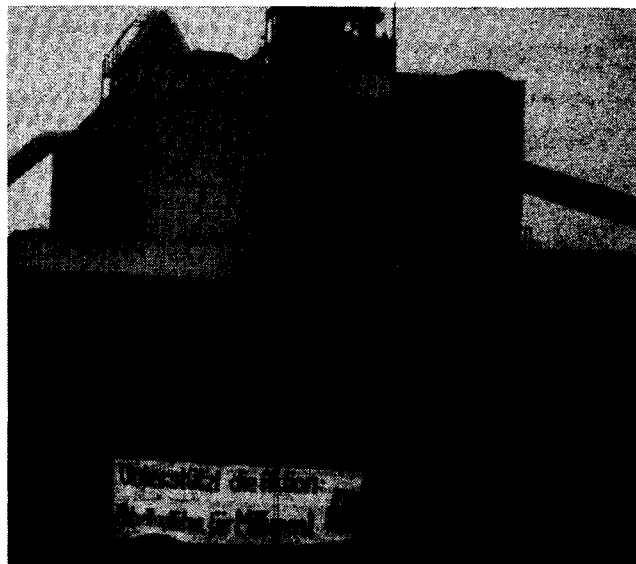
As a rule, the Mexican factory workers are women between the ages of 14 and 23. One female worker named Candy is 21 years old. She chose the night shift at General Electric because she earns more than. At 9:30 p.m. she leaves her shanty in the Colonia Roma on the outskirts of Reynosa in order to catch the last bus to reach work. The trip costs her 2,000 pesos, which in 1992 was approximately 65¢. Her shift doesn't begin until 12:30 a.m. She arrives at work very early, and must wait outside the gate at this unsafe time of night. There are no waiting rooms. If she were to arrive late even once, because she had missed the last bus, 40,000 pesos would be deducted from her wages. That is one-quarter of her weekly wages, which at 150,000 pesos (around \$47), is relatively high for the *maquiladora*.

Her female friend on the late shift from 3:30 p.m. until 12:30 a.m. at the Zenith electronics firm, earns only 110,000 pesos a week — and she is relatively high on the wage scale there. Another friend in the ordinary wage group receives only 90,000 pesos. But even this low wage exists only on paper. For the most part, the women are not paid the full amount; around one-third is usually taken out in the form of credit vouchers which they can redeem for a free meal in the lunchroom. It repeatedly happens — as it did recently in Ciudad Juárez — that workers become ill because the food is spoiled.

The low wages are as a rule justified by reference to the fact that labor productivity is far lower than, for example, in the United States. But that is not true. The Chamber of Commerce of Laredo determined in 1991 that the "range of productivity of Mexican sewing machine operators is anywhere from equal to 30% higher than in the United States." U.S. electronics companies report that their productivity in Mexico with simple assembly-line workers is from 10-25% above the equivalent activities in the United States. Wages range from a ratio of 1:10 to 1:12 compared to the United States.

Dangerous working conditions

Germany's banker yuppies are particularly pleased by the "favorable working conditions" in the *maquiladoras*. Put simply, that means that there is hardly any safety equipment or regulations. A case at General Motors: A short circuit ignited a smoldering fire that produced a lot of smoke. The



A trade union banner protests the planned shutdown of the Krupp Rheinhausen steel works in Duisburg, Germany, April 1993. The yuppie bankers have no use for skilled, unionized labor; their plan is to set up slave labor maquiladoras in eastern Germany and eastern Europe.

workers wanted to go out into the street, but supervisory personnel prevented them from doing so. Because of the poisonous smoke, many lost consciousness. But instead of letting the workers out, the supervisors disconnected telephone connections to the outside. When the fire department arrived, it was sent away. They said they could handle it on their own. Finally, at 9:00 a.m., the police and fire department forced their way into the site. More than 300 people were suffering from some degree of severe poisoning. Despite the accident, no fire safety equipment was installed afterward, and no practice fire drills were carried out.

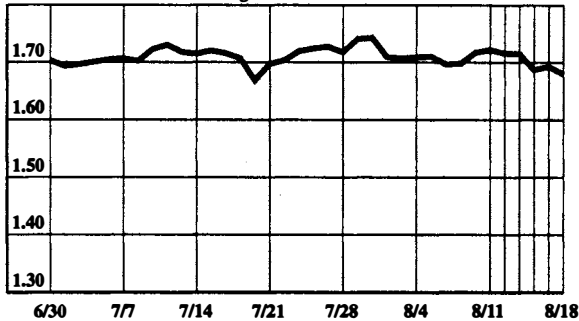
No one even takes the trouble to translate the English-language warnings and safety documentation furnished with the machines into Spanish. "Lead causes birth defects and adversely affects human fertility" is there in English, but the women who work with it day in, day out, can only read Spanish and are unaware of the warning. A 15-year-old girl on the assembly line sorts freshly punched metal parts for 48 hours a week. For that, she receives 131,000 pesos, about \$43 a week. She frequently cuts her hands on the sharp edges, but protective gloves are given out only once every three months.

Human life is cheap in these slave-labor camps. A father of two children once refused to operate his machine during a heavy rain as long as the leaky roof was not repaired. Supervisory personnel forced him to operate it anyway, threatening to immediately fire him if he refused. Just as the worker had feared, there was a short circuit, and he was killed. His wife and children were paid off with a miserable \$650 for the death of the father. That was clearly "more

Currency Rates

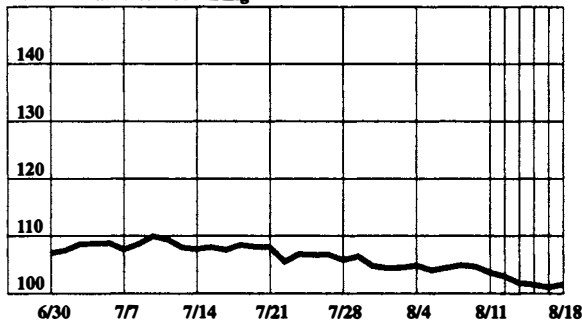
The dollar in deutschemarks

New York late afternoon fixing



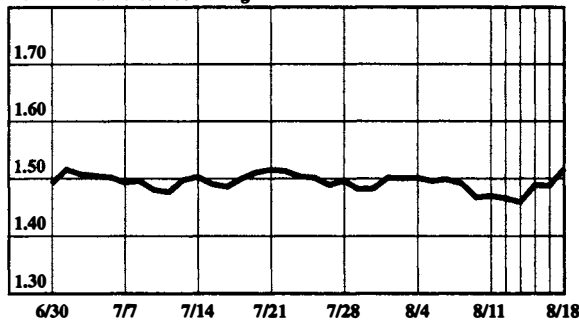
The dollar in yen

New York late afternoon fixing



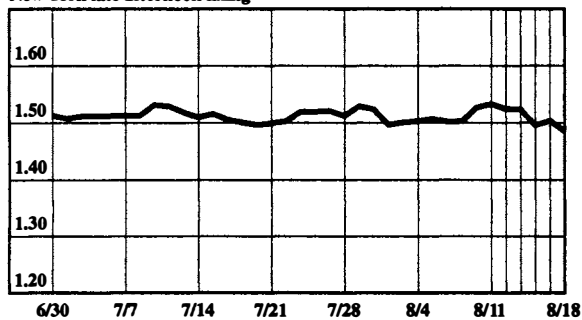
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



economical" than repairing the roof.

Male and female workers are not merely thoughtlessly exposed to health-endangering substances at the work place. The same substances are discharged into trenches where children play, and from which domestic animals drink. They flow through the rickety shantytowns called *colonias*, then they seep into the ground and poison the drinking water. A random test by General Motors revealed that the amount of xylene in the waste water exceeded the officially determined limit by a factor of 6,000. But nothing was changed. On Dec. 6, 1990, a cloud of poison gas flowed from the ventilation system of the Retzloff chemical plant near Colonia Privada. Fifty people in the neighborhood were poisoned. The flow was stopped only when the poison cloud crossed the border and set off a panic in neighboring Brownsville, Texas.

In Brownsville, three children were born in April 1991 with severe brain malformation. In the past year, 72 such children were born on the other side of the border, 42 in Matamoros alone. Investigations by Mexican authorities showed that the causes for this anencephaly (faulty brain development in the fetus) were the solvents xylene and toluene. These substances are frequently emitted into the air via the factory's air conditioning ducts, or get into the drinking water via wastewater emissions. The entire region has become a breeding ground for infectious diseases.

In the schools, they kept on finding children with strange, hitherto unrecognized handicaps. Finally, it was discovered that the mothers of these children all worked in the same factory of the Mallory condenser company. But the company had pulled out in the meantime, and demands for compensation came too late.

Living conditions in the *colonias* defy description. Living space is lacking, as are adequate schools. Supplies of water and electricity, garbage disposal, sewerage — all these matter-of-course facilities are hopelessly insufficient. Human beings live there in precisely the same conditions as in the heyday of liberalism in Manchester, England in the 19th century, with hundreds of thousands living in barracks or hovels fashioned out of planks of wood.

Maquiladoras on the German border

Maquiladoras are a monstrous exploitation of human beings. But the yuppies of Dresdner Bank do not see that. "The area bordering the United States has the highest state of development in all Mexico." And they want to establish something similar on the Polish and Czech borders.

They suspect that trade unions will object, because it will destroy jobs in Germany. But they argue that "we should not overlook the fact that otherwise, labor-intensive assembly may be entirely transferred to developing countries, or will simply be discontinued." That will continue to happen until the labor and income conditions here have adjusted to those in the low-wage countries. But who, one might ask, will have the money to buy the products once they are produced?