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News

Lower wages help attract
auto production to México
Union agrees to cut new-hire pay in half for Ford
BYMARKSTEVENSON
I Associated Press

Mexican auto unions are taking
a cue from U.S. labor leaders by
offering two-tier hiring schemes
and salary cuts that bring already
low wages down to near-Chinese
levéis.
As more automakers turn to
México, a big argument for the
North American Free Trade
Agreement in 1993 - that Mexi-
co's low wage rates would slow-
ly rise to cióse the gap with U.S.
wages - seems to have been
thrown in reverse.
"The pressure has not been
to raise the Mexican wages up,
it's been to push the U.S. wag-
es down," said Ben Davis, the di-
rector of the AFL-CIO Solidari-
ty Office in México City.
And now Mexican wages are
being pushed down even more.
Wage concessions were ap-
parendy key to persuading Ford
Motor Co. to direct many of the
4,500 newjobs involved in build-
ing Fiestas to the Ford plant in
Cuautitlán, State of México.
Union leaders at the plant told
The Associated Press they had
agreed to cut wages for new
hires to about half of the current
wage of $4.50 per hour.
"We agreed to it," said Ford
unión leader Juan José Sosa
Arreóla."We need to be more
competitive. That's the truth.
That's a reality."
The United Auto Workers
unión had hoped to preserve U.S.
jobs by offering a two-tier wage
system last fall, cutting start-
ing wages for new U.S. workers
by half to about $14.20 an hour.
But it hasn't worked the jobs
are flowing to México, where
starting wages at some plants
also have been two-tiered, to as
litde as $1.50 per hour with a lot
less of the related pensión and
health care costs.

INSURANCE: Allianz,
Europes biggest ¡nsurer, bought
a minority stake in Fondika, a
Mexican mutual fund distributor.
Allianz has the option to buy
a majority stake in the Mexican
business, said Bernd Valtingojer,
director of wealth management
for Allianz México. He spoke
to reporters on Wednesday in
México City.
-BLOOMBERG NEWS

Some Mexican auto workers now earn the same as their Chínese peers.

With labor costs like these,
México is staying competitive
with China, where an average
worker at a foreign-owned fac-
tory or joint venture can make
$2 to $6 per hour. While Mex-
ican benefít costs run higher,
México may have already won
the low-wage race.
México also now has the ad-
vantage of a massive auto pro-
duction platform based on ex-
perience with export plants and
proximity to major markets that
can't yet be beat in China, whose
factories still produce mainly for
its own domestic markeL
Ford spokeswoman Alejan-

dra Acevedo said she did not
know what starting wages for
new hires at Cuautitlán would
be, but she acknowledged that
to win the jobs, the plant had to
compete against other Ford fa-
cilities worldwide.
"It makes business sense
that labor costs are much lower
here, and also it's much cheap-
er here to grow the local supplí-
er network," said Acevedo, not-
ing Mexico's free trade deals help
slash the cost of importing parts
and exporting cars.
Other U.S. automakers also
are squeezing wages. General
Motors said Tuesday it will stop

using relatívely high-wage work-
ers to assemble slow-selling pick-
ups at its plant in central city of
Toluca A labor leader there said
the unión had gotten the mes-
sage, and would offer to work for
less to keep the plant alive.
"I think we are going to have
to sacrifice something in order
to continué to be competitive,"
said Edgar Arroyo, a unión lead-
er at the Toluca General Motors
plant, where he estimated some
workers earn about $6 per hour,
an extremely high rate by Mexi-
can auto industry standards.

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BEN DAVIS

Director, AFL-CIO Sotidaríty Office

Nothing in NAFTA stops this
drive to the wage floor. It only re-
quires countries to enforce their
own mínimum wage laws.
Foreign investment in Mex-
ico's auto industry is soaring, av-
eraging about $2 billion per year
since the 1990s. Ford's $3 billion
investment in the Fiesta project
may accelerate that trend. Auto
exports grew by almost 68 per-
cent between 2004 and 2007
to 1.6 million units. Most went
to the United States, but also to
European and Latin American
markets. But since NAFTAs ap-
proval in 1993, the gap in overall
manufacturing wages between
México and the United States
has widened slighdy, according
to government figures.

ROADBUILDING:
Empresas ICA SAB, Mexico's
largest construction company,
obtained a loan of 6.06 billion
pesos ($587.7 million) to finance
road construction. The deal was
led by Banco Santander SA, with
the partidpation of Dexia SA and
HSBC México SA, the company
said in a statement to the México
City stock exchange.
-BLOOMBERG NEWS

NATURA L GAS: Natural
gas for Jury delivery rose 0.6
cents to $12.227 per million British
thermal units. Traders bought
contraets amid speculation
summer storms will spur prices.
Colorado State University
meteorologists, whose forecasts
are followed by energy markets,
repeated their April prediction of
eight Atlantic hurricanes.
-BLOOMBERG'NEWS

INFLATION: US. Federa!
Reserve Chairman Ben S.
Bernanke said that while rising
publie expectations for inflation
are a "significant concern," there is
little sign they are driving workers
to demand higher wages as
oceurred in the 1970s.
"Some indicators of longer-
term inflation expectations have
risen in recent months," he said.
-BLOOMBERG NEWS

Brand

Width

Strategy s front line

Strategists must
nowgetinto
the trenches of
distribution and
sales and work
to show how a

strategy can be
successful

An urban myth says that
the Chínese traditionally
cursed their enemies by
saying "may you live in
interesting times."
Well, Ufe is getting very
"interesting" for strategists
in the brand advice busi-
ness here in México and
elsewhere, as clients de-
mand more bang for the
buck from outsourcing
It used to be that, after analyzing all the available da-ta, a brand consultant would present a SWOT analysis (strengths, weaknesses, opportunities and threats) and develop an insightful brand architecture and Communi-cations strategy, then wait for the results to roll in to see that low-performing"problem child" turn into a star earn-er for the company.
Clients certainly want our knowledge, insights and ideas to build their brands, but they need to see them converted into action and results, specifically around the opportunities identified on the SWOT analysis chart. Strategists must now walk the walk, not just talk the talk. We have to get into the trenches of distribution and sales and work to show how a strategy can be suc-cessful. Here, then, is a quick bulletin from one of those metaphorical trenches my company is currently work-ing in.
The opportunity for an effective trade strategy had been identified in our SWOT analysis for a small tradition-al Mexican brand, largely dependent on sales through na-ti(mal wholesalers in the highly competitive drugstore dis-tribution channel. The client believed that we would just provoke renewed pressure to reduce prices and improve incentives for pharmacy buyers to restock the brand. Although the initial reaction from our discussions with wholesalers on the front line was precisely as the client had feared. But further discussions with the larger whole-salers revealed a different picture.
The problem is that wholesalers have hundreds of sales reps servicing thousands of pharmacies offering thousands of producís and presentations. So how can a small traditional brand get the sales reps' attention? We are now developing a trade Communications program to do just that. Estimates indícate that this program could increase sales vía wholesalers this year by as much as 25 percent.
Hard work in the trenches, but it provided a wealth
of new insights and ideas that would not have come from sitting at a desk. With input from the larger wholesal-ers we saw that with an economical "push" trade strat-egy we could begin to fill and service a more extended distribution pipeline. We also became aware of the huge amount of useful information stored in their databases that they are more than willing to share if asked and we were reminded of the importance of one of the oldest marketing tactics: product sampling. You can never have too much of it.

A more sobering outeome of this work has been to recognize that identifying opportunities and making in-sightful recommendations only gets you to first base in today's brand-buildinggame. To get further than that, we have to roll up our sleeves and dig!

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