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Assembly Lines: Maquiladoras, Poverty, and the Environment in the U.S.-Mexico Borderlands,  
1966-1972

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Abstract:

This project uses the political and environmental history of *maquiladoras*—duty-free assembly plants along the U.S.-Mexico border—to offer new insights into two pivotal moments in the history of the U.S. political economy: the poverty eradication plans of Lyndon Johnson’s Great Society and the neoliberal growth models of the late twentieth century. Although many historians consider the conservative ascendancy of the 1980s as antithetical to mid-century liberalism, the major argument of this book manuscript is that Great Society programs along the border laid the groundwork for neoliberal policies toward labor, trade, and the environment and precipitated a rearrangement in national political coalitions in the early 1970s.

Federal planners thought that the U.S.-Mexico borderlands were a laboratory for experimenting with different solutions for rural poverty and environmental destruction. The primary case study for my project is the Commission for Border Development and Friendship (CODAF). CODAF was a bilateral planning agency founded in 1966 by Mexican President Gustavo Diaz Ordaz and U.S. President Lyndon Johnson. Johnson charged Ambassador Raymond Telles with improving the standard of living in the geographically isolated and impoverished U.S-Mexico borderlands through regional planning programs in areas such as education, housing, and economic development. After witnessing the economic success of *maquiladoras* in Mexico’s *Programa Nacional Fronterizo*, Telles and other American policymakers in the U.S. Southwest imagined an expansion of these factories into the United States. *Maquiladoras* are offshore assembly sites that overcame the border region’s paucity of natural resources by importing the necessary components to build profitable consumer items, like televisions. The plan to build American *maquiladoras* was part of a far-reaching program for the social, economic, and environmental betterment of the borderlands region, but they quickly

became symbols of how the new globalized economies of the United States and Mexico polluted environments and exploited workers.

This project demonstrates that the U.S.-Mexico border was at the heart of debates over the future of the American economy during the 1960s. These debates illuminate how the Democratic Party's vision for the country's economic future ignored the discrimination that hindered the economic and political advancement of ethnic Mexicans in the borderlands and beyond. This claim is significant in three main ways. First, this case study demonstrates a larger continuity between mid-century liberalism and late-twentieth century conservatism through the Great Society's use of market-based programs to alleviate poverty. Second, it uncovers how Texas and the U.S.-Mexico borderlands played a pivotal role in the way that mid-century liberals understood poverty and economic growth. Last, it shows that the United States cooperated with and emulated Mexico in order to overcome the problems of poverty and environmental destruction on the U.S. side of the border.

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## Chapter 1: Introduction: The Persistent Poverty of the U.S.-Mexico Borderlands

In May 2016 presidential candidate Bernie Sanders planned three rallies in the state of New Mexico. For the first rally Sanders selected a small, rural town known as Vado. Located 35 minutes from the U.S-Mexico border, the small-community welcomed an influx of visitors from nearby Las Cruces and El Paso, Texas. Since it was summer, participants traveled along dusty trails that cracked in the heat. If the rally, however, took place in the rainy season, participants would have found themselves mired in muddy and impassable roads. Like many towns or *colonias* near the borderline, Vado lacked paved streets and other pieces of infrastructure, such as sewage or water lines.<sup>1</sup> Vado, however, was not unique. Across the borderlands, many towns looked like hamlets stuck in the 1930s.

Sanders selected Vado to highlight the federal government's historic neglect of rural areas and Vado's residents gladly joined the Vermont senator in his efforts. While Sanders averred his commitment to providing rural towns with "decent roads and bridges," and criticized government policies that "ignored for too long the needs of the people of rural America," local Vado residents held-up signs that read "I Stand with Vado," in order to raise awareness about the poverty and underdevelopment in their town. In a move that reinforced the importance of Sanders' rhetoric, those same Vado residents sold bottled water, tamales, and burritos out of coolers and buckets to help raise money to pay for roads and other municipal repairs.<sup>2</sup> For the many people gathered at Vado that day, the fact that the borderlands—and especially the rural

<sup>1</sup> Jessica Kutz, "Who Pays for Infrastructure in Borderland Colonias," *High Country News*, 5 August 2019.

<sup>2</sup> Kutz, "Who Pays for Infrastructure in Borderlands Colonias."

borderlands—remained mired in poverty and overlooked by the federal government was too obvious.

The local residents and political attendees may not have known it when they all gathered together that day beneath the merciless southwestern sun, but many of the issues that he spoke about had been the focus of federal officials for the past 50 years. During the 1960s especially, federal officials wrung their hands and scratched their heads over how to solve issues of unemployment, poor housing, political disenfranchisement, and low wages across the U.S.-Mexico borderlands. This dissertation focuses on this era and their efforts in order to broaden our understanding of both poverty and how it has come to define many people's understanding of the U.S.-Mexico borderlands.

What you are about to read is a history of how government officials and planners conceptualized poverty in the U.S.-Mexico borderlands during the twentieth-century. It is not a history of poor people, per se, but instead examines the way that residents and national officials conceptualized the causes and solutions to the underdevelopment and impoverishment endemic to the region that is adjacent to the U.S.-Mexico border. It uses a bilateral regional planning agency called the Commission for Border Development and Friendship as the primary case study for understanding how federal officials identified and defined poverty in the borderlands region. Gustavo Diaz Ordaz and Lyndon Johnson chartered CODAF in 1966 and charged the agency with improving the region's standard of living through regional planning programs focused on housing, environmental protection, transportation, education, public health, and economic development. Ultimately, my dissertation uses CODAF and its struggle against poverty to argue that South Texas and the broader U.S.-Mexico border were at the heart of debates over the future of the American economy during the 1960s. These debates illuminate how the Democratic

Party's vision for the country's economic future ignored and erased the discrimination that hindered the economic and political advancement of ethnic Mexicans in the borderlands and beyond.

The story of an economy that delivered prosperity to some while leaving many others behind resembled the larger history of the postwar U.S. economy. In some respects, the history of poverty and economic development in the U.S.-Mexico borderlands resembled the larger history of the United States. One historian has called the 1950s and 1960s the "age of compression," because the era experienced some financial redistribution that allowed families in the middle and lowest fifths of the economic spectrum to experience increases in income that outpaced the top fifth of American households. These historians fail to point out that most black Americans, Latinx Americans, and Asian Americans did not enjoy the same levels of prosperity or job security that most white Americans did.<sup>3</sup>

For much of the borderlands this story of want amidst plenty also rang true. Borderlands cities like San Diego, CA, and Tucson, AZ, experienced tremendous growth as they plugged themselves into the coterie of cities across the Sunbelt that invested heavily in high-technology and defense manufacturing. Even former industrial and railroad cities like El Paso enjoyed some growth as it too pivoted toward an economy that catered to defense and military operations as the importance of steel manufacturing declined. The rest of the borderlands, however, did not experience the affluence that has come to define the postwar era for so many people.

And in many ways, the borderlands and the Sunbelt economy that it was embedded in foreshadowed many of the nation's late-twentieth-century economic developments. Wages and

<sup>3</sup> Judith Stein, *Pivotal Decade: How the United State Traded Factories for Finance in the Seventies* (New Haven: Yale University Press, 2011), xi, 1-22 and Robert M. Collins, *More: The Politics of Economic Growth in Postwar America* (New York: Oxford, 2000).

overall growth remained stagnant or tepid. Unionized employees in factories and other sectors across the country saw their job security, wages, and fringe benefits evaporate as executives sought out the best “business climates” for their companies. Workers across the country felt pinched by an economy that seemed to be booming, but did not contain the avenues for basic security for most workers and families. Instead, the postindustrial knowledge economy seemed to favor the white, wealthy, and educated people who would have succeeded in the economy regardless of the direction it took. The bifurcated or dual job market that constrains the prospects and social mobility of many Americans today was encountered and ignored by Democratic officials in the 1960s U.S.-Mexico borderlands. What was true for most ethnic Mexicans in border counties then has now become the operative rule for nearly all Americans seeking employment in the twenty-first century.<sup>4</sup>

While the history I write here seems recognizable to many people, the underlying analysis, claims, and causes do not align with previous takes on politics and the postwar political economy. Some historians and analysts argue that the increasingly unequal U.S. economy resulted from the Democratic Party’s failure or disinterest in enacting more equitable industrial policies. Other historians suggest that a rapidly-globalizing American economy failed to generate well-paying jobs just as more women, Black Americans, and Latinx people were entering the workforce, meaning that they failed to enjoy the upward mobility offered by manufacturing during its heyday. The most substantial body of work, however, documents how economic

<sup>4</sup>I use the term “ethnic Mexican” to refer to Mexican nationals and Mexican Americans. I also use the term to distinguish borderlands residents who were Mexican American and U.S. citizens or were migrants or immigrants from Mexico from Anglo-Americans. At times, I refer to Mexican Americans, and by that I mean U.S. citizens who claim Mexican ancestry. I also use the signifier “Mexican migrant” or “Mexican immigrant” when talking about Mexican nationals who resided within the United States. For more on the use of the term “ethnic Mexican,” see David G. Gutiérrez, *Walls and Mirrors: Mexican Americans, Mexican Immigrants, and the Politics of Ethnicity* (Berkeley: University of California Press, 1995), 104.

conservatives defanged labor unions and preserved the freedom of capital to move unimpeded across state and national boundaries. Free-market economists and industrialists are the stock bogeymen in these treatments.<sup>5</sup> What all of these previous entries have failed to examine, however, is the role poverty played in the pursuit of economic policies that favored a post-industrial vision of the economy. Democrats and Republicans alike sprang precipitately toward economic policies that favored affluent and suburban engineers, lawyers, and other college-educated professionals.

But what a history of poverty and economic development along in the U.S.-Mexico borderlands during the 1960s shows us is that planners, bureaucrats, and borderlands residents turned to postindustrial development as a way to combat poverty and underdevelopment. And these planners turned to market-based solutions largely as a way to avoid grappling with the larger systems of discrimination and inequality that hindered the political, social and economic advancement of ethnic Mexicans in the borderlands and beyond. This case study demonstrates

<sup>5</sup> Judith Stein, *Pivotal Decade: How the United State Traded Factories for Finance in the Seventies* (New Haven: Yale University Press, 2011); Judith Stein, *Running Steel, Running America: Race, Economic Policy, and the Decline of Liberalism* (Chapel Hill: University of North Carolina Press, 1998); Barry Bluestone and Bennett Harrison, *The Deindustrialization of America: Plant Closings, Community Abandonment, and the Dismantling of Basic Industry* (New York: Basic Books, 1984); and Lily Geismer, *Don't Blame Us: Suburban Liberals and the Transformation of the Democratic Party* (Princeton, NJ: Princeton University Press, 2017). For more on the globalizing economy, see Jefferson Cowie, *Stayin' Alive: The 1970s and the Last Days of the Working Class* (New York: New Press, 2012) and Robert M. Collins, *More: The Politics of Economic Growth in Postwar America* (New York: Oxford University Press, 2000). For more on how conservatives fought unions see Kim Phillips-Fein, *Invisible Hands: The Businessmen's Crusade Against the New Deal* (New York: Norton, 2010); Elizabeth Tandy Shermer, *Sunbelt Capitalism: Phoenix and the Transformation of American Politics* (Philadelphia: University of Pennsylvania Press, 2015); Jefferson Cowie, *The Great Exception: The New Deal and the Limits of American Politics* (Princeton: Princeton University Press, 2017); Bethany Moreton, *To Serve God and Wal-Mart: The Making of Christian Free Enterprise* (Cambridge, MA: Harvard University Press, 2010); Andrew Needham, *Power Lines: Phoenix and the Making of the Modern Southwest* (Princeton, NJ: Princeton University Press, 2016); Elizabeth A. Fones-Wolf, *Selling Free Enterprise: The Business Assault on Labor and Liberalism, 1945-60* (Urbana: University of Illinois Press, 1995); and Benjamin Waterhouse, *Lobbying America: The Politics of Business from Nixon to NAFTA* (Princeton, NJ: Princeton University Press, 2015).

that the federal government turned toward private industry and the free-market as a method to alleviate poverty much earlier than previously thought. It is incorrect to think that the state withered away and allowed the free-market to assume governance because conservatives and neoliberals defeated liberals politically and ideologically in the 1970s. Instead, the state actively-wielded the private-led development as a way to skirt around larger and deeper issues of inequality.

*Poverty in U.S. History and Historiography*

When historians discuss poverty in the twentieth-century United States, they have often uncovered how government officials and economists understood poverty in regional and spatial terms. During the 1930s, states like Oklahoma or Mississippi, which were ravaged by the Dust Bowl or the boll weevil, respectively, came to be associated very closely with destitute farmers and their families. After the 1960s, poverty became synonymous with America's cities, particularly the zones occupied primarily by African American and Latinx people. At first glance, little seems to unite rural Georgia or Nebraska in the 1930s with the Bronx or Boyle Heights. While many of these places were "poor" both relatively and absolutely according to many metrics, government experts and bureaucrats solidified their status as impoverished areas by imposing that definition upon them. By wielding labels and classifications, experts and governments granted themselves the power to uncover and implement the solutions to those problems.<sup>6</sup> Unemployment and education initiatives came to define poverty for these places as

<sup>6</sup> For more on regional spatial understandings of poverty, see Bruce J. Schulman, *From Cotton Belt to Sunbelt.: Federal Policy, Economic Development, and the Transformation of the South, 1938-1980* (Durham: Duke University Press, 1994) and Thomas J. Sugrue, *The Origins of the Urban Crisis: Race and Inequality in Postwar Detroit* (Princeton, NJ: Princeton University Press, 2014). For works that discuss the role of expertise and government in defining poverty, see Michael B. Katz, *In the Shadow of*

the lack of money, services, and resources that caused the poverty in the first place. Solutions and plans and not the causes of poverty remained the central focus for many efforts to help poor people in both rural and urban settings.

This work seeks to surmount two unique divides in how historians think about and discuss poverty. First, the history of poverty in the United States during the twentieth century is a story that begins in the rural areas at the beginning of the century, but shifts almost exclusively to urban centers at the onset of the twenty-first century. According to this narrative, government officials think that rural poverty was eradicated through infrastructural investment and government programs or that it was insignificant and likely to end once technological innovation or economic modernization took root in the nation's hinterlands and backroads. By the end of the twentieth century, officials only concerned themselves with urban poverty and the larger systems of racial and spatial inequality that perpetuated the conditions that produced poverty.<sup>7</sup>

*the Poorhouse: A Social History of Welfare in America* (New York: Basic Books, 1996) and Frances Fox Piven and Richard Cloward, *Regulating the Poor: The Functions of Public Welfare* (New York: Vintage, 1993).

<sup>7</sup> For more on the on poverty in the 1930s see, Bruce J. Schulman, *From Cotton Belt to Sunbelt.: Federal Policy, Economic Development, and the Transformation of the South, 1938-1980* (Durham: Duke University Press, 1994); Jordan Schwarz, *The New Dealers: Power Politics in the Age of Roosevelt* (New York: Vintage, 2011); James T. Patterson, *America's Struggle Against Poverty in the Twentieth Century* (Cambridge, MA: Harvard University Press, 2000); Sarah T. Phillips, *This Land, This Nation: Conservation, Rural America, and the New Deal* (Cambridge, UK: Cambridge University Press, 2007); Jess Gilbert, *Planning Democracy: Agrarian Intellectuals and the Intended New Deal* (New Haven: Yale University Press, 2016); and Michael B. Katz, *In the Shadow of the Poorhouse: A Social History of Welfare in America* (New York: Basic, 1996). For works that discuss during the 1960s see Thomas J. Sugrue, *The Origins of the Urban Crisis: Race and Inequality in Postwar Detroit* (Princeton, NJ: Princeton University Press, 2014); Julia Rabig, *The Fixers: Devolution, Development, and Civil Society in Newark, 1960-1990* (Chicago: University of Chicago Press, 2016); Annelise Orleck, *Storming Caesars Palace: How Black Mothers Fought Their Own War on Poverty* (New York: Beacon, 2005); Guian McKee, *The Problem of Jobs: Liberalism, Race, and Deindustrialization in Philadelphia* (Chicago: University of Chicago Press, 2008); and N. B. D. Connolly, *A World More Concrete: Real Estate and the Making of the Jim Crow South* (Chicago: University of Chicago Press 2014); and Andrew K. Sandoval-Strausz, *Barrio America: How Latino Immigrants Saved the American City* (New York: Basic, 2019).

In fact, however, the rural poor remained a persistent fact of American economic and political life. And officials assigned to the borderlands were keenly aware of this fact. This dissertation uncovers how government planners that studied the U.S.-Mexico borderlands singled-out agricultural and rural areas as the most poverty-stricken areas

Second, histories of poverty-abatement programs suggest that government officials relied upon either a strict economic or social science framework. For many historians, “poverty knowledge” became a cottage industry fueled by social scientists and a professional class of social workers and charity administrators dedicated to tending to the needs—though, more often the so-called “follies”—of the poor. Another class of scholars looks at how racial capitalism has developed and instantiated shibboleths of what some observers called the “deserving” and “undeserving” varieties of the poor.<sup>8</sup> Both of these strands of historiography, however, obscure how government officials toggled between these two perspectives. Social science and racial capitalism did not run on separate tracks and oftentimes intersected or overlapped. But even if these officials sometimes realized that racial-disparities in wealth caused poverty, that did not mean they were willing to actually treat that root cause.

CODAF officials were acutely aware of the larger issues of discrimination and exploitation that led to the impoverishment of ethnic Mexicans in the southwestern border states.

<sup>8</sup> Alice O’Connor, *Poverty Knowledge: Social Science, Social Policy, and the Poor in Twentieth-Century U.S. History* (Princeton, NJ: Princeton University Press, 2002); Olivier Zunz, *Philanthropy in America: A History* (Princeton, NJ: Princeton University Press, 2014); Felicia Kornbluh, *the Battle for Welfare Rights: Politics and Poverty in Modern America* (Philadelphia: University of Pennsylvania Press, 2007). For more on the racial capitalism and the poor see, Robin Marie Averbeck, *Liberalism Is Not Enough: Race and Poverty in Postwar Political Thought* (Chapel Hill: UNC Press, 2018); Gordon K. Mantler, *Power to the Poor: Black-Brown Coalition and the Fight for Economic Justice, 1960-1974* (Chaperons Hill: UNC Press, 2015); Daniel Geary: *Beyond Civil Rights: The Moynihan Report and Its Legacy* (Philadelphia: University of Pennsylvania Press, 2017); and Marisa Chappell, *The War on Welfare: Family, Poverty, and Politics in Modern America* (Philadelphia: University of Pennsylvania Press, 2011).



Economic studies and social science highlighted the economic, political, educational, and health disparities between Anglos and “Spanish-surnamed” people. But for CODAF, the key to the political integration of ethnic Mexicans was their incorporation into a modern industrial economy. CODAF officials thought that market-based solutions would spur higher-standards of living that would erode the inequalities that ethnic Mexicans in the borderlands experienced.<sup>9</sup> And the key to this economic integration was the introduction of the maquiladora.

*Maquiladoras as an Analytical Device and as a Solution to Poverty*

This dissertation uses the maquiladora as an analytical device for understanding how historical actors understood poverty, its causes, and its solutions. The maquiladora was a unique economic relationship between Mexico, the United States, and multinational corporations. Beginning in 1963, American officials at the Chamber of Commerce used an exemption in rules 806.3 and 807 in the Standard Code on Treaties and Tariffs to allow multinational corporations to export components to Mexican sites. These components would not be taxed by Mexico once they crossed the border to enter maquilas. After assembling these components into a final consumer product, the company could import the final item into the United States with a duty that assessed only the value added by assembly and not on the total worth of the products. Without this unique arrangement that lifted imposts on components and products flowing into

<sup>9</sup> “Nathan Study,” Folder E-5 Economic Development 1969—70, box 18, General Correspondence 1966-69, United States-Mexico Border Commission Files, record group 43, Records of International Conferences, Commissions, and Expositions, National Archives and Records Administration, College Park, MD.

and out of Mexican assembly sites, maquiladoras would not have been a viable option for many American companies.<sup>10</sup>

Officials at CODAF and in other parts of the federal government sought to leverage the maquiladora and its reliance upon American components and factories to modernize the economy of the U.S.-Mexico borderlands. Since Mexican maquilas could not perform any substantive manufacturing, they relied upon American factories to produce the required parts. CODAF officials hoped to open “twin-plants” in American border cities that could manufacture some of those components or provide technical, sales, design services and support, and management. By opening up these plants CODAF officials hoped local ethnic Mexicans would be able to find work as skilled technicians or middle-managers. CODAF’s plans, while a key part of the overall vision and controversies surrounding maquilas, remain largely invisible from the history of maquiladoras.

The scholarship on maquilas is rich, vast, and rigorous in its study of workers and factories, but neglects the larger political history that surrounded these factories. Most studies of maquiladoras originate in the fields of anthropology or sociology. The first generation of scholars embedded themselves within the locus of the assembly plant and developed rich and compelling understandings of how post-Fordist industrial organization affected the lives of workers and provided new logics for resisting the exploitation of multinational corporations. Later studies conducted by sociologists and historians looked at how forces of globalization remade communities and the relationship between companies and workers in Mexican cities and

<sup>10</sup> Barry Bluestone and Bennett Harrison. *The Deindustrialization of America: Plant Closings, Community Abandonment, and the Dismantling of Basic Industry* (New York: Basic Books, 1992), 132; Jefferson Cowie, *Capital Moves: RCA’s Seventy-Year Quest for Cheap Labor* (New York: New Press, 1999), 93-95.

America's industrial heartland. Even if wage rates in Reynosa, Tamaulipas, and Peoria, Illinois, were quite different, workers in both cities found that their employment situations were increasingly tenuous and subject to the vagaries of the global labor market and consumer demand. Ostensibly represented by labor unions and in state and national legislatures, workers found that capital was empowered by its ability to move while workers were hamstrung by their inability to organize across international boundaries.<sup>11</sup> This past work on maquilas is valuable and illuminating, but my research departs from these avenues of research by posing a different set of questions.

Since this dissertation is not history of maquiladora workers, per se, it reorients our view of assembly operations and uncovers a new understandings of the role maquilas played in U.S. labor and trade politics during the 1960s and 1970s. This project is more interested in how maquilas were part of larger political controversies and discussions related to trade and labor. Instead of focusing on resistance within the maquilas themselves, this project is interested in understanding how maquilas figured into larger political and economic discussions related to trade, immigration, border enforcement, and economic development. The answer to this question was quite surprising. First, maquilas were seen by federal officials as a way to reduce unemployment and poverty in American border cities. Second, the controversies around

<sup>11</sup> Maria Patricia Fernandez Kelly, *For We are Sold, I and My People: Women and Industry in Mexico's Frontier* (Albany: SUNY Press, 1984); Susan Tiano, *Patriarchy on the Line: Labor, Gender, and Ideology in the Mexican Maquila Industry* (Philadelphia: Temple University Press, 1994); Devon G. Pena, *The Terror of the Machine: Technology, Work, Gender, and Ecology on the U.S.-Mexico Border* (Austin, TX: CMAS Press, 1997); Leslie Zalzinger, *Genders in Production: Making Workers in Mexico's Global Factories* (Berkeley: University of California Press, 2003); Jane L. Collins, *Threads: Gender, Labor, and Power in the Global Apparel Industry* (Chicago: University of Chicago Press, 2009); Alejandro Lugo, *Assembled Lives, Fragmented Parts: Culture, Capitalism, and Conquest at the U.S.-Mexico Border* (Austin: University of Texas Press, 2008); Jefferson Cowie, *Capital Moves: RCA's Seventy Year Quest for Cheap Labor* (New York: New Press, 2001); and Chad Broughton, *Boom, Bust, Exodus: The Rust Belt, the Maquilas, and a Tale of Two Cities* (New York: Oxford University Press, 2014).

maquiladoras allowed labor unions to grapple with the flow of capital and jobs to a global marketplace.

Maquiladoras generated significant controversy in the late 1960s amongst labor unions and these conflicts allow us to see how American workers and policymakers were envisioning what a postwar global economy would look like. In many accounts, American labor unions play a small role in the politics surrounding maquilas. This dissertation, however, uncovers how state-level affiliates and national labor organizations rallied against maquilas and CODAF's larger plans to alleviate poverty. Labor's role in the defeat of CODAF's American maquila program, however, is an ambivalent story. The Texas and national AFL-CIO's oppositional rhetoric uncover some interesting insights into how labor, capital, and each group's respective political allies were reconfiguring ideas about global trade and the national economy. The fight against maquiladora expansion in the 1960s and 1970s revealed how labor groups were both highlighting and erasing the U.S-Mexico divide in their fight against globalization. At times, labor argued that maquiladoras and their workers were part of the American economy because they were geared almost exclusively toward American markets. This meant, according to the AFL-CIO, that Mexican maquila workers deserved to be paid American wages and receive the protections of American labor law. At other times, the AFL-CIO took a much harder line against maquiladoras and suggested that American companies were illegally using federal money to fund "runaway plants" that skirted obligations to American workers and their communities. The fight against runaway plants sought to defend American workers above all else and painted other workers in starkly alien and foreign terms.

The complex and fraught rhetoric of American labor surrounding maquila allow us to see how postwar liberals' plans for a postindustrial, global economy were already taking shape in the

mid-1960s. In most histories, the “shock of the global” does not grip the nation until at least 1972. In many respects the liberal/neoliberal march for globalization does not reach its full gallop until the 1980s and is largely a response to Republican electoral success.<sup>12</sup> Maquilas, though, were a key part of both anti-poverty and global trade policies in the 1960s. In many respects, anti-poverty and industrial policies overlapped in both aim and intent. By 1966 Democratic politicians and appointees were already looking toward a globalized economy and envisioning America’s role as the source of knowledge and technology and not necessarily manufactured goods. What is most surprising about my study is that this drive for a globalized economy was meant to tackle the persistent problem of poverty and began much earlier than other historians have originally proposed.

For many, the transition to a postindustrial economy and the government’s role in spearheading that transformation could be found in areas very close to the borderlands: the metropolises of the Sunbelt. In many regards, the conflict over maquiladoras reflects what some historians have called the “Second War between the States.” Companies and workers moved from cities like Chicago, IL and Cleveland, TX to places like Phoenix, AZ, Dallas, TX, and Huntsville, AL, for the balmy weather, but also weak labor unions, cheaper costs of production, and government incentives for relocation. The recruitment of maquilas also displayed many features of Sunbelt growth and development.<sup>13</sup> This project then, extends the “Sunbelt”

<sup>12</sup> Lily Geismer, *Don’t Blame Us: Suburban Liberals and the Transformation of the Democratic Party* (Princeton, NJ: Princeton University Press, 2014); Benjamin Waterhouse, *Lobbying America: The Politics of Business from Nixon to NAFTA* (Princeton, NJ: Princeton University Press, 2013); Judith Stein, *Pivotal Decade: How the United States Traded Factories for Finance in the Seventies* (New Haven: Yale University Press, 2010).

<sup>13</sup> For more on the Sunbelt see, Andrew Needham, *Power Lines: Phoenix and the Making of the Modern Southwest* (Princeton, NJ: Princeton University Press, 2014); Elizabeth Tandy Shermer, *Sunbelt Capitalism: Phoenix and the Transformation of American Politics* (Philadelphia: University of

framework to include places like Tijuana-San Diego, Ambos Nogales, and Ciudad Juarez-El Paso. And while many people have criticized the shibboleth of the Sunbelt as a place, it is also clear that such a notion also refers to the political and development strategies deployed by cities and states in many places located outside of America's industrial heartland. The success of Sunbelt boosters in attracting capital and residents was replicated in the rapid expansion of maquiladora zones in the 1970s and 1980s. This expansion came with pernicious effects for workers in the Rust Belt, Sun Belt, and Mexico. But the larger implication for the Sunbelt approach to maquiladoras is an examination of the role of the state in maquiladoras and globalization.

By looking at maquiladoras as part of a regionally-specific pattern of economic development, historians can see how the state played an early role in the migration of capital and jobs to the Global South. Some historians and architectural theorists have looked at maquilas as part of a standardized network of free-trade apparatuses. These sites are part of a natural progression of "bonded" sites that allow traders flexibility in their export of goods by suspending certain customs rights and privileges. In this interpretation, maquilas and similar sites grew almost organically out of the natural processes of late-capitalism.<sup>14</sup> But these interpretations also fail to take into account how state-based agreements and state-aided recruitment were critical to the success of maquilas.

Like other Sunbelt economic development schemes, maquilas depended heavily upon the support of the state. In places like Arizona or North Carolina, boosters argued that small-

Pennsylvania Press, 2013); and Geraldo L. Cadava, *Standing on Common Ground: The Making of a Sunbelt Borderland* (Cambridge, MA: Harvard University Press, 2013).

<sup>14</sup> Keller Easterling, *Extrastatecraft: The Power of Infrastructure Space* (New York: Verso, 2014) and Dara Orenstein, *Out of Stock: The Warehouse in the History of Capitalism* (Chicago: University of Chicago Press, 2019).

government would help business prosper. But direct investment in the form of government subsidies and payments and indirect support through tax write-offs and favorable trade arrangements made Sunbelt industry profitable.<sup>15</sup> Often viewed as a “conservative” push to attract development, Sunbelt boosters relied heavily upon the investments of the postwar liberal state to make their regions look more attractive to businesses. Without an agreement to suspend tariffs on both components and final goods, maquilas were unlikely to provide any real savings for American companies. And the liberal state played a large role in making sure that this arrangement survived and even expanded. Leaders of CODAF sought to build upon this pact to provide jobs of Americans. But other segments within the Democratic Party, like the Texas Senator Lloyd Bentsen, saw the program as a way to increase trade at the expense of workers. The Democratic Party’s explicit and implicit support for the maquiladora program demonstrates how the federal state played a critical role in shaping the contours of the globalized, postindustrial economy. By understanding maquiladoras as a product of Sunbelt industrial investment and recruitment, we can also begin to envision the U.S.-Mexico borderlands in new ways.

### *Maquiladoras, Deserts, and a Reconceptualization of the U.S.-Mexico Borderlands*

Many people will suggest that this work—because it does not incorporate substantial archival records or the historiography of Mexico—does not deserve to be called a “history of the U.S.-Mexico borderlands, but these detractors may be edified to know that I use this term to highlight how poverty reorients our understanding of the way that Americans and Mexicans

<sup>15</sup> Shermer, *Sunbelt Capitalism*; Schulman, *From Cotton Belt to Sun Belt*; and Ann Markusen et al., *The Rise of the Sunbelt: The Military Remapping of Industrial America* (New York: Oxford University Press, 1991).

thought about the U.S. and Mexican sides of the border. By examining the borderlands through the lens of poverty and the figure/object of the maquiladora, we see that typical understandings of the U.S.-Mexico borderlands and the relationship between the United States and Mexico are much more complicated than standard histories that view the United States as the senior partner and Mexico as junior partner. The boundaries between strong/weak, rich/poor, poverty/development that are typically inscribed upon the borderline become much more nuanced and difficult to parse.

My examination of maquiladoras reveals how the United States sought to replicate Mexican programs and initiatives for economic development. Histories of economic development often narrate how these programs began in the U.S. in the 1930s and 1940s, moved to the Global South in the 1950s and then returned to U.S. cities in the 1960s and 1970s.<sup>16</sup> Other case studies document how ideas circulated between the United States and Mexico in a cross-fertilization pattern.<sup>17</sup> This study, however, demonstrates how U.S. officials adopted Mexico's initiatives to modernize their border region as a model to uplift and develop their own side of the border. In this instance, Mexico becomes the standard-bearer of development since their frontier region recorded standards of living high above Mexico's national average. In contrast, the American border region consistently counted its counties as some of its most impoverished and isolated. For many American border officials, Mexico's initiatives to develop their border zone were the key to unlocking prosperity in places like Nogales, AZ, El Paso, TX, and McAllen, TX.

<sup>16</sup> Daniel Immerwahr, *Thinking Small: The United States and the Lure of Community Development* (Cambridge, MA: Harvard University Press, 2015); David Ekbladh, *The Great American Mission: Modernization and the Construction of an American World Order* (Princeton, NJ: Princeton University Press, 2011); and Andrew Zimmerman, *Alabama in Africa: Booker T. Washington, the German Empire: And the Globalization of the New South* (Princeton, NJ: Princeton University Press, 2010).

<sup>17</sup> Tore Olsson, *Agrarian Crossings: Reformers and the Remaking of the U.S. and Mexican Countryside* (Princeton, NJ: Princeton University Press, 2017).



In this story, Mexico is the success story and America seems like a “Global South” country eager to implement development strategies.

This distinction is important because it allows us to recast the relationship between the United States and Mexico and the respective sides of the border. Histories of the borderlands once argued that the U.S. unilaterally enforced their border, but more recent histories have challenged this view and sought to understand how the border has become “less a divide between two nations and more a line separating haves and have-nots.”<sup>18</sup> Boosters and businesspeople in Ciudad Juarez and El Paso emphasized the closeness of the two cities and how companies could have the best of both worlds, the low-wage rates of Mexican workers and the logistical and technical expertise of America. The history of maquiladoras as a salve for poverty reveals that the border became a tool that elites in both the United States and Mexico manipulated to enrich themselves and not to bring jobs or economic development to working-class families on both sides of the divide.

This study seeks to problematize shopworn narratives of the border and its meaning, but it also hopes to highlight the common challenge that the border-region’s desert environment

<sup>18</sup> For a take on the unilateral school of border enforcement, see Jeremy Adelman and Stephen Aron, “From Borderlands to Borders: Empires, Nation-States, and the Peoples in between in North American History,” *American Historical Review* 104, no. 3 (June 1999): 814–841. For interpretations that question the U.S. ability to exert complete control of the border, see Brian DeLay, *War of a Thousand Deserts: Indian Raids and the U.S.-Mexican War* (New Haven: Yale University Press, 2009); Anne Hyde, *Empires, Nations, Families: A History of the North American West, 1800–1860*; Rachel St. John, *Line in the Sand: A History of the Western U.S.-Mexico Border* (Princeton, NJ: Princeton University Press, 2010); Mae M. Ngai, *Impossible Subjects: Illegal Aliens and the Making of Modern America* (Princeton: Princeton University Press, 2005); Kelly Lyle Hernandez, *Migra!: A History of the U.S. Border Patrol* (Berkeley: University of California Press, 2010); John McKiernan-González, *Fevered Measures: Public Health and Race at the Texas-Mexico Border, 1848–1942* (Durham: Duke University Press, 2012); Katherine Benton-Cohen, *Borderline Americans: Racial Division and Labor War in the Arizona Borderlands* (Cambridge, MA: Harvard University Press, 2009); Ana Minian, *Undocumented Lives: The Untold Story of Mexican Migration* (Cambridge, MA: Harvard University Press, 2018); and Cadava, *Standing on Common Ground*, 253.

posed for development. In early excursions to the U.S.-Mexico borderlands, the desert environment stirred the fears and anxieties of many Anglo settlers and explorers. Over time, deserts acquired admirable aesthetic qualities and inspired environmentalists, poets, writers, and painters to extol the virtues of a stark and scorched landscape. Poverty planners in the 1960s, however, did not share the aesthete's love for the desert. Instead, it became a severe limiting factor for the region's potential to develop. When government officials developed understandings of the region's poverty in the 1960s, the environment became one of the key reasons that the region remained undeveloped. We see that that poverty experts scrutinized the landscape as much as they did poor people in order to avoid discussions of the larger systems of inequality that made people destitute.

At its heart, this dissertation seeks to move away from the questions that have typically animated studies about the borderlands and maquiladoras. Generally, it is not concerned with exploring how the border is opened or closed or how workers resist labor exploitation. Instead it seeks to understand what can be gleaned if we shift our gaze away from immigration and away from the shop-floor and instead look more closely at the history of economic development along the border? As a result, it is more interested in understanding the economic and political relationships that extend outwards from the border and how these relationships enmeshed workers, elites, and government officials in ideologies of poverty abatement and economic growth. The border becomes less of a dividing line and more of a starting line for discussions about globalization, postwar liberalism, and the precarious balance between the astounding economic growth of the twentieth century and the persistent poverty that remains for so many.



## Chapter 2: Improving the Borderlands: CODAF, PRONAF, and the Border Environment

In 1966 Mexican president Gustavo Diaz Ordaz and U.S. President Lyndon Baines Johnson met in Mexico City to dedicate a series of apartment complexes built by the Alliance for Progress and named after late president John F. Kennedy. This was not the first time Johnson had entertained a Mexican head of state. He had a long history of meeting with Mexican presidents dating back to his time as a senator from Texas. The genuinely warm relationship between Johnson and his Mexican counterpart allowed them to engage in freewheeling discussions about the relationship between the two countries. These discussions eventually turned to an item that had preoccupied Johnson since his days as a schoolteacher in Cotulla, Texas.<sup>19</sup>

As a schoolteacher in Cotulla—a town located about 70 miles from the U.S.-Mexico border—Johnson first became acquainted with the endemic poverty that afflicted the residents of the U.S.-Mexico borderlands. Johnson noted the dearth of resources and opportunities for his ethnic Mexican students and worked hard to make sure they had access to the same activities that white children enjoyed. The poverty and discrimination he witnessed there remained with him throughout his life and became a central preoccupation for him while he was in the White House.<sup>20</sup>

Johnson convinced Diaz Ordaz to create a bilateral planning agency tasked with eradicating the destitution rampant along the border areas. Later dubbed the Commission for

<sup>19</sup> “Legislative History of US-CODAF,” 1 August 1969, Folder Admin 5-Laws-Legislation, Admin 3-3 Meetings-United states Section to Admin 5 Laws, Legislation, United States-Mexico Border Commission, RG 43: RG 43. Records of International Conferences, Commissions, and Expositions, National Records and Archives Administration, College Park, MD.

<sup>20</sup> Julie Leininger Pycior, *LBJ and Mexican Americans: The Paradox of Power* (Austin: University of Texas Press, 1997).

Border Development and Friendship or CODAF by the diplomats and bureaucrats on its administrative roster, both presidents agreed that the “joint commission between the United States of America and United Mexican States” should “study the manner in which the standard of living of the United States and Mexican communities in areas along the border between our two countries could be raised by means of cooperative action.”<sup>21</sup>

Even though Johnson expressed interested in helping people from both sides of the border, CODAF would eventually grow to focus almost exclusively on the U.S. side and the long-standing issues of poverty, discrimination, and political disenfranchisement of the ethnic Mexicans that resided there. This shift of focus largely represented an intensification of Johnson’s initial mandate for the agency, but also signaled Mexico’s relative disinterest in partnering with the United States to tackle issues of poverty in the borderlands. The standard of living along Mexico’s northern border was much higher than the rest of the country and some would argue was actually higher than the U.S. border region. As a result, Mexico was not interested in cooperative poverty-abatement projects, but instead wanted to use CODAF to facilitate more trade and commerce between both countries. Rather than generating conflict, U.S. officials instead looked to Mexico for ideas about how to improve the standard of living along the U.S. Side of the border.

Since the U.S. border region contained many of the poorest counties in the United States, American officials and U.S. residents along the borderline sought to emulate Mexico’s success in improving the quality of life along the boundary line. Borderlands residents aspired to beautify

<sup>21</sup> Nixon to Speaker of the House of Representatives, 10 September 1969, Folder Admin 5-Laws-Legislation, Admin 3-3 Meetings-United states Section to Admin 5 Laws, Legislation, United States-Mexico Border Commission, RG 43: Records of International Conferences, Commissions, and Expositions, National Archives and Records Administration, College Park, MD.

their border in much the same way that Mexico had through their *Programa Nacional Fronterizo*. Borderlands residents and CODAF planners looked across the border and saw the types of cities and economies that they wanted for their own hometowns. CODAF achieved some success duplicating the aesthetic features of PRONAF on the U.S border, but the agency's distance from the border and its drive to address Mexican American issues irritated many local business and political leaders.

This chapter argues that CODAF became a domestic agency concerned with improving the standard of living of Mexican Americans by duplicating the services and programs that the Mexican government had instituted on the northern Mexican border in the 1960s. Mexican disinterest in CODAF did not spell the end of the agency's poverty-abatement schemes in the borderlands, but instead allowed it to treat the borderlands region as a laboratory for new initiatives and plans. CODAF's turn toward domestic issues made it into a target for American businesspeople and Mexican Americans, who argued that it was not pursuing the types of activities that U.S. border residents needed and wanted.

In order to understand CODAF's pivot from an international to a domestic agency, it is critical for us to recognize how CODAF's unique organizational structure allowed it to provide flexibility in its overall mission, but constrained its ability to make concessions that pleased local residents in the borderlands. CODAF's penchant for experimentation did not win it many supporters in the U.S. borderlands. CODAF's physical remoteness from the borderlands, its unwieldy administrative structure, and its nebulous and undefined standing in relation to the both the government and local residents concerned and irritated many local politicians and leaders. Local representatives suggested that CODAF should be located along the boundary line or at least appoint leaders recommended by local officials. CODAF's status of an executive standing

inter-agency committee, rather than a full-fledged agency, meant that many of its options and powers were quite limited. CODAF leaders responded to these concerns by opening local offices, but local politicians and business leaders still looked at the Commission warily and skeptically because it did not hire residents directly from the border.

CODAF's emulation of Mexican policies and initiatives adds to our understanding of the borderlands and how these two countries have influenced state development and capacity. Historians like Tore Olson and Ruben Flores have examined how rural and radical reformers in Mexico and the United States presented bold new visions for the redistribution of land or the development of civil rights. This case study, though, indicates that large, state-based economic and environmental policies also traveled north from Mexico. But rather than being progressive and liberal impulses, they instead were state-sponsored reforms focused on improving economic performance.<sup>22</sup>

This chapter will unpack this narrative in four main parts. First, we will examine the organization of CODAF and the development of some of its social policies. Then the essay will examine how Mexican disinterest drove CODAF to focus more carefully on domestic issues. Then, we will examine how Border Beauty and Friendship Day sought to replicate PRONAF's success in relocating the appearance of Mexican border cities. Last, we will examine backlash against CODAF and its policies.

<sup>22</sup> Tore C. Olson, *Agrarian Crossings: Reformers and the Remakings of the US and Mexican Countryside* (Princeton, NJ: Princeton University Press, 2017) and Ruben Flores, *Backroads Pragmatists: Mexico's Melting Pot and Civil Rights in the United States* (Philadelphia: University of Pennsylvania Press, 2018).



Illustration 1: (From top-left) Raymond Telles converses with Ambassador Sol Linowitz, President Gustavo Diaz Ordaz and an interpreter while President Lyndon Baines Johnson examines documents related to CODAF. The party was aboard Air Force One and en route to the LBJ Ranch in Stonewall, Texas. 28 October 1967. Accession # A5059-03. Courtesy of Lyndon Baines Johnson Presidential Library and Museum, Austin, TX.

*The Commission for Border Development and Friendship: U.S. Organization and Administration*

In order to accomplish CODAF's goals, Lyndon Johnson appointed Raymond Telles as the chairman of the American wing of CODAF. A former mayor of El Paso and ambassador to Costa Rica, Telles was also crucial in developing Mexican American support for Johnson during his senate runs. And after Telles assumed his post, he developed an organization that could tackle the monumental task set before him.

Both the Mexican and American wings of CODAF maintained symmetrical administrations. Each wing assigned appropriate personnel from their respective governments to several project planning areas. The staff assigned to these project areas were initially organized



into a hierarchical scheme that was divided into three levels. Later on, CODAF would add one more layer to its administration by opening local offices in San Diego, El Paso, and Laredo.<sup>23</sup>

The administrative hierarchy for CODAF retained a Washington-centric structure. The highest level of CODAF's administration contained administrators and support staff that worked for the Commission full-time out of their office at 1800 G Street N.W., Washington D.C. At the top of the organization chart sat the commissioner of the U.S. wing, Raymond Telles. The chairman of the U.S. wing managed and coordinated between 15 commissioners. These commissioners were career civil servants drawn from the different agencies and departments of the executive branch. They were appointed by their respective agencies to serve on the committee at the request of Johnson. The U.S. chairman also communicated with his Mexican counterpart as well as with the president and other members of the executive branch. Below Telles the executive director took up many of the daily administrative tasks of running the office and coordinating with Congress. The first executive director was Melbourne Spector and he was assigned that portfolio after serving in the State Department's Latin American Affairs Bureau. The executive officer served under the executive director and also took up the responsibilities of the office's daily administration. The executive officer was also the daily liaison to congress and worked to cultivate relationships with the staff of various legislators.<sup>24</sup> Each of these administrators helped the commissioners organized into three different groups dedicated to one of three major policy areas.

Specific policy working groups were organized into three major committees related to their overall objectives and subject area. The first committee was the Economic Development

<sup>23</sup> Raymond Telles to Richard Nixon, 20 June 1969. In possession of Cynthia Telles.

<sup>24</sup> Telles to Nixon, 20 June 1969.

and Affairs Committee, which oversaw five working groups. These working groups were agriculture, industry, commerce, labor, and tourism. The second committee was Social and Cultural Development. This committee also had 5 working groups: public health, social welfare, education and training, cultural activities, and sports. The last committee was Physical Facilities Development. This committee contained two working groups. The first working group focused on urban development and the second group studied transportation and communication issues.<sup>25</sup>

Later on CODAF added local representatives to their payroll. Each of these local representatives oversaw a third of the U.S. Border region. The first was stationed in San Diego and was responsible for overseeing the border region from San Diego until Nogales. The second representative was based in El Paso and traversed between El Paso and Nogales. The last representative operated out of Laredo and his portfolio encompassed the Rio Grande delta below El Paso County.<sup>26</sup> The different employees assigned to CODAF did not work in an absolutely hierarchical manner, but instead cooperated across different levels in order to effectively carry out the Commission's goals and objectives. These regional representatives helped CODAF fulfill two of its key main administrative functions.

Commission employees, staff, and administrators needed to coordinate carefully in order to fulfill CODAF's multiple functions as a diplomatic bureau, federal planning and research agency, and advocate for local communities. According to Telles, CODAF's top priority was to facilitate "communication and coordination with federal, state, local, and private entities." Helping local residents and officials talk to federal authorities, Telles argued, would help CODAF achieve its secondary goal, which was: "the identification of problems in the

<sup>25</sup> Telles to Nixon, 10 June 1969.

<sup>26</sup> Telles to Nixon, 20 June 1969.

borderlands region and the implementation of research and planning to correct these problems.”

These two functions became time-consuming concerns for CODAF. It required CODAF officials to act as a clearinghouse for the inquiries and initiatives from many borderlands citizens and entities, but also required them to communicate with different constituencies in order to conduct research and planning. While Telles and some of his lieutenants served this function initially by referring concerns and requests for funding to the different commissioners on staff, his major diplomatic, political, and administrative tasks soon made this impossible.

Later on, these types of inquiries were often funneled through one of the three regional representatives. Concerns that were brought to federal agencies or departments from companies, legislators, and executives from the border states were referred to one of the regional representatives so they could coordinate with both the different levels of CODAF and the local constituencies. For example, a local community group wanted money for a literacy program at a community center. This group contacted someone in their municipal government who then referred them to their regional CODAF representative to apply for a Head Start or other type of federal grant. Or, in another instance, the mayor of San Diego complained about the long lines at border checkpoints to someone at the Department of Commerce. Commerce officials then kicked down this request to the regional representative in San Diego. The regional CODAF representative then discussed and coordinated planning about the problem with local parties, federal agencies, and the local government.<sup>27</sup> But issues also funneled down from the upper echelons of CODAF's administration to the regional and local representatives.

Many of these plans and initiatives that developed in Washington D.C. oftentimes sought to coordinate binational issues and concerns. For example, Mexican and U.S. citizens' and

<sup>27</sup> Telles to Nixon, 20 June 1969.

officials' complained steadily about pollutions, which led Telles to take the lead in finding money for a landfill in Nogales, AZ. This landfill would serve Ambos Nogales. Leaders in El Paso/Juarez similarly came to their regional representative in El Paso with complaints about the air quality, which led to the facilitation of a program where both cities exchanged information and data in the hopes of launching a joint project on air pollution control and remediation.

But international concerns also worked their way up to Washington after border residents expressed their concerns. Long-standing worries about the maternal health of ethnic Mexicans along the border were initially directed toward the Department of Public Health and Welfare. After Telles became aware of the problem, he assigned the issue to CODAF's Health Working Group. After some discussion and planning, CODAF developed a plan for mobile health units in Calexico/Mexicali. In another example, the Border Area Public Health Association told officials at the Department of Public Health and Welfare that the health facilities and workforce of the border region were subpar. This led to the implementation of a survey of the border region's health facilities, service efficiency, and manpower resources and needs.<sup>28</sup>

Housing and urban development were also active areas of experimentation and demonstration and was directed almost entirely from CODAF's upper-echelons. According to Telles, the U.S. Section "acted unilaterally to assist and encourage the efforts of many U.S. Border communities to secure low-income housing, neighborhood facilities, and urban planning grants."<sup>29</sup> CODAF helped construct housing for the low-income elderly of Brownsville, Texas. Telles also directly oversaw the construction of community centers and other neighborhood facilities in Laredo, Texas, Nogales Arizona, and Calexico and San Diego in California. In

<sup>28</sup> Telles to Nixon, 20 June 1969.

<sup>29</sup> Telles to Nixon, 20 June 1969.

addition, the U.S. section also helped spearhead the development of a program that aimed to produce cheap, safe, and healthy housing. This resulted in a pilot program that constructed 80 concrete, prefabricated “roundhouses” in Del Rio, Texas. Telles proudly conveyed that the “Mexican Section has expressed interest in this project and is considering a similar undertaking on its side of the border.”<sup>30</sup> In contrast to the many projects and initiatives developed in education, public health, and cultural affairs, Telles and the upper tiers of CODAF’s administration defined problems and coordinated solutions amongst different agencies to solve the region’s housing problems.

Housing and urban development proved to be one of the areas that seemed to be most pressing and solvable by Telles. In contrast to other areas, Telles did not rely on grassroots input or advice to carry out CODAF’s functions on this issue. Top-level administrators defined the problems for this area and the solutions to those problems funneled down from Telles, through the commissioners, and finally to the regional representatives and the communities they served. This approach does not seem to have been any more effective than what could be achieved from grassroots-initiated projects, but perhaps reflects the broader experience of Telles as a former mayor of a border city. As mayor he was accustomed to identifying issues and developing programs and coalitions to pursue solutions to those problems. And while this may have been a successful administrative model while he governed El Paso, the indirect nature of CODAF’s planning tended to irritate many local business and political leaders from the U.S-Mexico borderlands.

### *CODAF Assumes a Domestic Focus*

<sup>30</sup> Telles to Nixon, 20 June 1969.

During the initial exchange of notes between Lyndon Johnson and Gustavo Diaz Ordaz in 1966, the heads of state instructed both wings of CODAF to work together to solve some common issues found in both countries alongside the U.S.-Mexico border. CODAF successfully worked with Mexico on a host of pilot projects and initiatives, but Mexico's commitment to directing energy and money to border issues flagged early in the process.

Unlike the U.S. borderlands, Mexico's frontier region was relatively prosperous. Northern Mexico had always enjoyed higher relative incomes than the rest of the country, but recent initiatives, like PRONAF and the Border Industrialization Program, had boosted the economy of many Mexican states and cities that adjoined the U.S.-Mexico border. In contrast, many U.S. counties that were adjacent to the borderline recorded average incomes that were well below the national average.<sup>31</sup> By emphasizing poverty reduction, US-CODAF elevated a policy area in which Mexico had little interest. As a result, American policymakers attached to CODAF grew increasingly frustrated with the binational aspect of the agency and instead increasingly sought to duplicate Mexican initiatives, like PRONAF and the BIP, on the U.S. side of the border.

From the agency's earliest stages, questions arose about the Mexican state's commitment to the bilateral regional planning agency. In 1967 Fulton Freeman told Telles that President Gustavo Diaz Ordaz did not recognize or even recall the names of many of MX-CODAF's commissioners. Freeman explained that this was because many of Mexican commissioners were low-ranking officials. In contrast, the American officials were assistant secretaries and some

<sup>31</sup> "Nathan Study," 261, Folder E-5 Economic Development 1969—70, box 18, General Correspondence 1966-69, United States-Mexico Border Commission Files, record group 43, Records of International Conferences, Commissions, and Expositions, National Archives and Records Administration, College Park, MD.

even became acting secretaries or heads of their executive agency during their tenure on CODAF. According to Freeman, Mexico's appointment of junior officials to their side of the commission indicated a lack of commitment to the bilateral mission of the agency. Freeman warned Telles that the prospects for a bilateral success with the current roster of Mexican officials looked dim because "if the Commission is to have the force in Mexico and responsibility which we seek for our own Commission, I should think that it would be more appropriate to eventually upgrade the members of the Mexican Commission to officials holding at least the rank of "Director en Jefe."<sup>32</sup>

On one level, US-CODAF and MX-CODAF enjoyed an amiable, relationship. Telles and his colleagues held biannual plenary sessions where both sections met to discuss issues and promote goodwill. US-CODAF and MX-CODAF also allowed their bilateral working groups to host breakaway meetings in order to focus on producing bilateral plans in transportation, public health and welfare, housing and other issues.

Despite the collegiality, American commissioners pointed out how difficult it was to work with MX-CODAF to execute bilateral strategies because Northern Mexico was one the country's wealthiest and most industrialized regions. Members of the economic development working group complained that it was difficult for American and Mexican officials to agree on what programs or initiatives were most needed. The head of the working group suggested that both countries struggled to agree on development plans because "the border is a high-income

<sup>32</sup> Fulton Freeman to Raymond Telles, 26 July 1967, Folder 8 Structure and Function (U.S. Section), box Admin 5 Laws, Legislation (1969-70) to Admin 8 Structure and Function (U.S. Section), box Admin 5 Laws, Legislation (1969-70) to Admin 8 Structure and Function (U.S. Section), United States-Mexico Border Commission, RG 43: Records of International Conferences, Commissions, and Expositions, National Archives, College Park, MD.

area for Mexico,” so “economic planning for that area is not strategic for the Mexicans.”<sup>33</sup>

Northern Mexico had long been a center of productive industries and the country’s recent investment in beautification and industrial development during the 1950s and 1960s had begun to bear fruit by the time CODAF commissioners sat down to discuss problems confronting the border. For these reasons, many U.S. commissioners thought that their Mexican counterparts were less invested in the bilateral project.

Nevertheless, Telles and other American CODAF leaders re-emphasized the importance of finding other ways to improve living conditions along the boundary line that could not necessarily be classified as strictly poverty issues. CODAF could focus on improving bilateral transportation and city planning or propose new public health or arts initiatives. CODAF did achieve a number of bilateral projects, but these did not represent sweeping changes or large-scale plans. These successes included a jointly-staffed and funded tuberculosis clinic in Calexico/Mexicali. Both sections also collaborated on joint-landscaping projects that reduced erosion and pollution. Other projects addressed vocational training and housing. These initiatives demonstrated successful cooperation in tackling pressing issues and concerns that directly affected numerous people, but they also fell short of the goal of producing programmatic plans to fix the structural problems of poverty along the border.

After several rounds of reform intended to create more Mexican interest in the project, CODAF re-oriented itself to focus more carefully on domestic issues. Some of these reforms included joint offices and a smaller number of working groups that met more frequently. But none of these changes elicited a level of Mexican commitment and enthusiasm that mirrored the

<sup>33</sup> U.S.-CODAF Staff Meeting, 22 October 1969, Folder Admin 3-3-2- Minutes 1969-70, United States-Mexico Border Commission, RG 43: Records of International Conferences, Commissions, and Expositions, National Archives, College Park, MD.



U.S. dedication to bilateral efforts. Beginning in 1968, CODAF began to take on the role of an agency that organized federal response to the issues that confronted U.S. citizens along the border. Telles made this clear when he stated that the main objective of CODAF was to “coordinate efforts from federal, state, and local governments to solve economic and social problems along the border.” This function now took precedence over diplomatic and bilateral concerns. After their pivot to domestic issues, the diplomatic functions Telles was concerned with only numbered 2 priorities out of a total of 8. The other six functions all concerned themselves with managing federal responses and resources to meet domestic concerns and issues. With this new power though, Telles and CODAF sought to remake the American side of the border in the image of the Mexican counterparts. Even without the direct cooperation of MX-CODAF, the Mexican state still played an important role in American poverty-alleviation strategies because U.S. officials sought to emulate Mexican initiatives.

#### *Border Beauty and Friendship Day*

CODAF’s drive to duplicate Mexican initiatives mirrored the desires of many borderlands residents. Borderlands denizens sought to replicate Mexico’s recent investment in physical infrastructure and environmental remediation and beautification by instituting similar projects in the United States. Most notably, many residents of borderlands towns, like Calexico, California, and El Paso, Texas, looked across the border and saw how Mexico was making many physical improvements in their border cities and in their bridges, crossing stations, and customhouses. For many years, Mexico’s investment in border complexes dwarfed the expense Americans spent on similar facilities. For example, in 1963, Mexico spent \$12 million dollars on a new border crossing complex in Nogales, Sonora. America only spent \$1.9 million on its

corresponding facilities.<sup>34</sup> This discrepancy speaks to the massive and coordinated investment Mexico poured into its northern border. And while many American border towns were eager to replicate the efforts of PRONAF, they struggled to find a centralized and well-funded agency to carry out these plans. Before CODAF took notice of these concerns, residents were forced to take up these requests in a piecemeal form, but Telles standardized the process across the borderlands..

Once Telles and other Commissioners realized that proposals to beautify U.S. Border towns and crossings in the Mexican mold were widespread and common, CODAF devised a massive coordination effort known as Border Beauty and Friendship Day. This organizational drive was a simultaneous series of voluntary clean-up drives, tree plantings, and landscaping campaigns along the border. It was the hope, though, that these small-scale initiatives would soon bring about a permanent and structural series of investments in border town's physical infrastructure, public appearance, and environmental health. Telles hoped that the once federal officials saw the benefits of the beautification campaign, CODAF would be given the authority and money to direct a more concerted PRONAF-like effort. But this aspiration proved to be much more difficult.

In order to attract investment and tourism to their northern border, the Mexican government initiated the *Programa Nacional Fronterizo* or PRONAF. Mexican president Adolfo Lopez Mateos established PRONAF in 1961 to subsidize the cost of producing a number of Mexican consumer products, the modernization and renovation of northern border crossing complexes to promote tourism and consumption, and an investment in new resort complexes on

<sup>34</sup> Geraldo L. Cadava "Borderlands of Modernity and Abandonment: The Lines within Ambos Nogales and the Tohono O'odham Nation," *Journal of American History* 98, no. 2 (September 2011), 368.

the country's Pacific and Caribbean coasts.<sup>35</sup> Once renowned as dens of vice, PRONAF remade border crossing complexes into wonders of modernist design. New border crossings in places like Nogales, Sonora, and Ciudad Juarez, Chihuahua, included bridges with sweeping curves, new modernist museums and convention centers, and verdant greenways that sparkled against the region's arid and taupe surroundings. "These facilities," according to one historian, "elicited positive foreign notice as well as local pride."<sup>36</sup> Needless to say, these projects captured the attention of their nearby U.S. neighbors on the other side of the border.

PRONAF's beautification efforts inspired many U.S. residents to plant greenery on their side of the border. When residents of Calexico gazed across the border, they saw a "parkway" with "trees, shrubs, grass, and hedges." This greenway was a vast aesthetic improvement and hid the "unsightliness of the U.S. side of the border."<sup>37</sup> Calexico residents thought that the Mexican government's push to beautify their border helped Mexican border cities maintain healthy environments, but also sound economies that attracted tourists and investments.

In contrast to Mexicali, Calexico's stretch of the border did not inspire envy, but instead remained a utilitarian and uninviting strip of land dedicated to enforcing the border. City officials complained to CODAF about how the United States Border Patrol dragged "rakes and floats behind their vehicles until the dirt area adjacent to the fences is generally loose and fine" to help agents detect the tracks of unsanctioned border-crossers. This barren and lifeless stretch of land

<sup>35</sup> Evan R. Ward, "Finding Mexico's Great Show Window: A Tale of Two Borderlands, 1960—1975," in *Land of Necessity: Consumer Culture in the United States-Mexico Borderlands*, ed. Alexis McCrossen (Durham: Duke University Press, 2009), 196, 204-206 and Oscar J. Martinez, Oscar J. Martinez, *Ciudad Juarez: Saga of a Legendary Border City* (Tucson: University of Arizona Press, 2018), 116—117.

<sup>36</sup> Oscar J. Martinez, *Ciudad Juarez: Saga of a Legendary Border City* (Tucson: University of Arizona Press, 2018), 116—117.

<sup>37</sup> International Boundary Border Fence Beautification Program," 15 April 1969, Folder SOC 6-1 Beautification, box 28, United States-Mexico Border Commission, RG 43: Records of International Conferences, Commissions, and Expositions, National Archives, College Park, MD.

was not only ugly, but also worsened the town's air quality. When "prevailing winds from the Northwest" blew across the strip, dirt and particulates billowed into the air and caused "a dust situation" that was nearly "unbearable." The poor air quality and the forbidding and desolate landscape around the fence was an "eyesore to the city" that did "nothing to improve the living environment."<sup>38</sup>

In order to improve the border's appearance and environmental quality, Calexico residents sought to emulate Calexico's border park. City, county, state, and federal officials asked CODAF to coordinate an effort to build a PRONAF-style park alongside the U.S. stretch of the border. Calexico officials and residents suggested that CODAF needed to coordinate amongst different local and federal agencies to plant and build a park that would improve the quality of life in Calexico, but also lead to more tourism and investment dollars. Town planners told CODAF that "Calexico is sometimes described as drab, dusty, and uninviting," because "a large percentage of its area remains unplanted." Calexico hoped CODAF and the federal government could help the city "intensify and expand its beautification program" in order to "improve the environment" and the city's image across the border and nation. These types of investments in the aesthetic and environmental health of the border would put "Calexico on equal basis" with its Mexican sister city and allow U.S. residents to enjoy the recreational, economic, and public health benefits of an improved and beautified border. <sup>39</sup>

<sup>38</sup> International Boundary Border Fence Beautification Program," 15 April 1969, Folder SOC 6-1 Beautification, box 28, United States-Mexico Border Commission, RG 43: Records of International Conferences, Commissions, and Expositions, National Archives, College Park, MD.

<sup>39</sup> International Boundary Border Fence Beautification Program," 15 April 1969, Folder SOC 6-1 Beautification, box 28, United States-Mexico Border Commission, RG 43: Records of International Conferences, Commissions, and Expositions, National Archives, College Park, MD.

And much like PRONAF, beautification efforts needed to be directed by the federal government. Multiple jurisdictions and authorities overlapped along the border. Planners from Calexico asked CODAF to work with the Border Patrol, the Department of Housing and Urban Development, the Department of State, the International Boundary and Water Commission, and numerous other local and state agencies to obtain funding and approval for the project.<sup>40</sup>

Calexico's request to beautify the border inspired CODAF to take up the issue along the entire boundary-line. For two years beginning in 1968, CODAF orchestrated a Border Beauty and Friendship Day in late spring. CODAF specified that the purpose of this day was to improve the borderlands region's physical environment, recreational opportunities, and capacity to attract investment. Such an initiative resembles the aims of PRONAF to a considerable degree, but its execution, funding, and success did not match the Mexican government's efforts.

CODAF was not given the power to directly oversee programs, but Telles thought that pilot programs and initiatives were a key part of the agency's mission of studying and recommending how to improve the standard of living along the U.S.-Mexico borderlands. For that reason, Border Beautification Day became a test for a broader federal program to improve the border's aesthetics and environment. But since CODAF lacked a mandate and direct funding for most programs, the initiative relied upon volunteer organizations alongside advice from its HUD commissioners on how local communities could obtain funding for its initiatives. The drive to ameliorate the physical conditions of the border reveal how the United States adopted Mexican ideas and initiatives, but failed to fully duplicate Mexican programs because the U.S.

<sup>40</sup> International Boundary Border Fence Beautification Program," 15 April 1969, Folder SOC 6-1 Beautification, box 28, United States-Mexico Border Commission, RG 43: Records of International Conferences, Commissions, and Expositions, National Archives, College Park, MD.

lacked a strong, centralized agency with a firm authority of how to direct industrial and environmental policy.

Because many of Border Beautification Day's activities were organized by local volunteers, their vision for success did not quite match the ambitions of corresponding PRONAF projects alongside the Mexican border. Many of these local organizations could not muster the financial support necessary to build the massive greenways, convention centers, or modernized crossing stations found in Mexican ports-of-entry. But these groups were able to organize litter pick-ups and street-cleanings on international bridges, checkpoints, and city streets. Towns like Brownsville opened friendship gardens with their Mexican twin-city. Shared aquatics centers and numerous tree plantings were celebrated by towns in New Mexico, California, and Texas. Though much of these activities seem modest, residents and officials alike praised CODAF for coordinating these efforts. New gardens, plants, and recreational facilities did improve the health of the landscape and provided residents with opportunities to enjoy their local environments.

Border Beauty and Friendship Day's larger projects signaled how the push for environmental beautification was also linked to the economic development and vitality of borderlands cities. In 1968, CODAF helped the twin cities of Nogales, Arizona, and Nogales, Sonora, to acquire \$800,000 dollars for a common sanitary landfill, sewage disposal plant, and a tourist information center in the heart of the city's major downtown park.<sup>41</sup> These three projects had opening ceremonies during the 1968 Border Beauty and Friendship Day. The landfill and sewage disposal plant were remedies for sanitation and litter problems in the border town.

<sup>41</sup> P. J. MacDonald to Jack Williams, 19 May 1969, Folder SOC 6-1- Beautification 1969-70, box 27, SOC 6 Social Development-General to SOC 6-1 Beautification, and Memorandum for the President, U.S.-Mexico Commission for Border Development and Friendship, 30 November 1967, United States-Mexico Border Commission, RG 43: Records of International Conferences, Commissions, and Expositions, National Archives, College Park, MD.

CODAF officials thought that these two pieces of infrastructure would improve the health of residents by preventing contamination of the water supply and corral litter and garbage into a modern site so children and pets would not need to play amongst refuse. But the corresponding construction of a tourist information kiosk also suggests how cleaning up the local environment was linked to a larger drive to attract tourists and dollars to the border city. Much like PRONAF, Border Beauty and Friendship Day's environmental initiatives served to advance a larger economic agenda.

And while the White House, and newspapers across the country praised CODAF for spearheading a voluntarist beautification campaign, many outlets saved their loudest applause for the commercial aspects and benefits of the beautification drive. CODAF leaders stated that the agency should help local communities prioritize "environmental improvement projects," but many local constituencies also opted to invest their time and energy into new structures that would facilitate trade and commerce.<sup>42</sup> Brownsville, Texas, touted three major expansion projects at its port-of-entry in 1968. Residents in Tecate, California, also celebrated renovations to their checkpoint facilities.<sup>43</sup> And while some of these renovations and alterations to crossing points included new landscaping, new pollution-abatement measures, or litter and street cleanups, many of these major projects simply meant more gates, smoother roads, or more modernized facilities at checkpoints.

<sup>42</sup> R. L. Eastman to Donna H. Gauert, 13 December 1968, Folder SOC 6-1 Beautification, box 28, United States-Mexico Border Commission, RG 43: Records of International Conferences, Commissions, and Expositions, National Archives, College Park, MD.

<sup>43</sup> Report on Observances from Border Beauty and Friendship Day 1969, Folder SOC 6-1- Beautification 1969-70, box 27, SOC 6 Social Development-General to SOC 6-1 Beautification, United States-Mexico Border Commission, RG 43: Records of International Conferences, Commissions, and Expositions, National Archives, College Park, MD

And it was these commercial initiatives that attracted the most attention. Major outlets like the *Chicago Tribune*, mentioned how CODAF also had plans for vocational training and commercial development when they covered Border Beauty and Friendship Day, but neglected to mention the water and air pollution studies being coordinated by the agency.<sup>44</sup> And while CODAF achieved limited success in replicating the results of PRONAF on the U.S. side of the border through this voluntary environmental campaign, more effort would need to be taken to bring prosperity to the southwest borderlands. For that reason, CODAF soon turned toward a plan to bring a Mexican plan for border industrialization to the United States. Despite its success in protecting and beautifying the borderlands region's physical environment, CODAF received criticism for its focus on domestic concerns and how its domestic policies were developed far away from the borderlands itself.

#### *Local Distrust of CODAF*

CODAF's role as a coordinating agency for different federal operations and functions necessitated that the agency operate out of Washington, D. C. Raymond Telles needed to coordinate meetings and resources between commissioners from 15 different domestic federal agencies. And as the primary liaison between the federal governments of Mexico and the United States, it made logistical sense to remain in the capital to better facilitate communication between the two binational wings of CODAF. But even if it made sense for Telles and his staff to spend most of their time away from the borderlands, local residents from the borderlands criticized CODAF for being aloof and too distant from the concerns of many borderlands

<sup>44</sup> "U.S. and Mexico Begin Upgrading 2,000 Mile Strip," *Chicago Tribune*, 20 April 1969 and Raymond Telles to All CODAF Commissioners, Agency, Representatives, and Staff, 19 February 1969, Folder ADMIN 2-5-MONTHLY REPORTS,



residents. Both local chambers of commerce and Mexican American political leaders from the borderlands were skeptical about CODAF's expertise in the borderlands. The agency's unique political status and inability to hire commissioners directly compounded CODAF's problems with borderlands residents. Because CODAF could not hire staff members or commissioners directly from the borderlands, businesspeople and political leaders continued to distrust Telles and his colleagues.

Local businessmen criticized CODAF's administrative location because they feared that a non-local agency could not be used as an instrument to promote commercial and industrial development. A local businessman lauded Raymond Telles as someone with both "federal and Border" experience as a result of serving as the mayor of El Paso, Texas. But they also lamented that Telles has "been away from the border for the past five years." Leaders from the borderlands complained that CODAF's lack of a direct connection to the borderlands may mean that border cities would lose out on important programs or initiatives. It was important that CODAF become a vehicle for representing the interests of borderlands leaders since CODAF represented a "direct pipeline to the chief executive." A current leader from the borderlands could advocate more forcefully for border projects and prevent CODAF from becoming an "agency for the justification of Federal policies."<sup>45</sup> In other words, business leaders from the borderlands wanted to use CODAF as an avenue to lobby the federal government for money and programs for economic and industrial development.

<sup>45</sup> U.S.-Mexico Border Cities Association newsletter, 20 February 1967, Folder 13 El Paso, Texas U.S.-Mexico Border Cities Assoc., box 11, Admin 10 Budget and Finance 1969-70 to Admin 16-1 Press and Public Relations, United States-Mexico Border Commission, RG 43: Records of International Conferences, Commissions, and Expositions, National Archives, College Park, MD.

In order to make CODAF an ally of local chambers, many leaders demanded that CODAF appoint a representative who resided and did business in the borderlands. Don Irvin, a local businessman who headed an organization called the Border Cities Association harangued a CODAF commissioner from the Department of Commerce about the lack of border representation in CODAF's affairs. "I would like to see full Border representation" on CODAF, Irvin exclaimed State officials would not cut it. All officials needed to be directly from the border. As Irvin explained, CODAF needed "people from Laredo and San Diego, not Los Angeles and Austin." CODAF ran the risk of supporting measures that would have negative "repercussions on . . . the Border economy."<sup>46</sup> To be clear, Irvin and his colleagues envisioned CODAF as a federal agency that could direct money and resources for economic development to the U.S.-Mexico borderlands. Representation in the commission simply meant a friendly voice that could steer money and resources toward the implementation of industrial initiatives. Local chambers of commerce proved to be some of the earliest and steadiest critics of CODAF's distance from the borderlands, but other people criticized Telles and others CODAF commissioners because of their lack of attention to the political and social issues that were important to borderlands residents.

And while many congressional representatives from the borderlands supported CODAF, others also thought that the agency should be closer to the borderlands. Congressman Eligio "Kiki" de la Garza damned the agency with faint praise and suggested that CODAF's limitations stemmed from its lack of experience in border matters. According to de la Garza, he originally

<sup>46</sup> Don Irvin to Anthony Solomon (Asst. Sec for Econ Affairs), 3 January 1967, Folder 13 El Paso, Texas U.S.-Mexico Border Cities Assoc., box 11, Admin 10 Budget and Finance 1969-70 to Admin 16-1 Press and Public Relations, United States-Mexico Border Commission, RG 43: Records of International Conferences, Commissions, and Expositions, National Archives, College Park, MD.

suggested an idea that was very similar to CODAF to Johnson, but that this original proposal envisioned “ a commission composed of people from the border . . . perhaps with one or two members from Texas, New Mexico, Arizona, and California,”<sup>47</sup> These representatives would hail from the border region and confer with each other to develop pragmatic and grassroots solutions to the region’s problems. Instead of this locally-based agency, de la Garza contended that CODAF had become “another bureaucracy between Mexico City and Washington.” CODAF and its representatives, according to de la Garza, “had never been” to the borderlands and “did not know the area or its people.” CODAF’s drive to create a regional border plan also drew de la Garza’s ire. “What will work in Brownsville,” de la Garza complained, “might not work in Laredo or Eagle Pass, or El Paso.”<sup>48</sup> To de la Garza, it made no sense to have “meetings away from the border,” because these far-off discussions ran the risk of creating a uniform plan for the border that overlooked important distinctions in areas and communities along the border.

But de la Garza also assented to the fact that CODAF’s central location in Washington DC could be immensely helpful for the borderlands. He agreed that “the kind of development activities that were envisioned by the two Presidents” would not be possible “without the intimate participation of the Federal agencies involved in the development process.”<sup>49</sup> Beyond

<sup>47</sup> *Hearing before the Subcommittee on Inter-American Affairs of the Committee on Foreign Affairs of the House of Representatives on H.J. Res. 894: To Authorize Appropriations for Expenses of the United States Section of the United States-Mexico Commission for Border Development and Friendship*, 91st Cong., 1<sup>st</sup> sess., September 5, 1969 (Washington D.C.: GPO), 1969, 2.

<sup>48</sup> *Hearing before the Subcommittee on Inter-American Affairs of the Committee on Foreign Affairs of the House of Representatives on H.J. Res. 894: To Authorize Appropriations for Expenses of the United States Section of the United States-Mexico Commission for Border Development and Friendship*, 91st Cong., 1<sup>st</sup> sess., September 5, 1969 (Washington D.C.: GPO, 1969), 5, 6.

<sup>49</sup> *Hearing before the Subcommittee on Inter-American Affairs of the Committee on Foreign Affairs of the House of Representatives on H.J. Res. 894: To Authorize Appropriations for Expenses of the United States Section of the United States-Mexico Commission for Border Development and Friendship*, 91st Cong., 1<sup>st</sup> sess., September 5, 1969 (Washington D.C.: GPO, 1969), 11.

the planning element, de la Garza also suggested that having an agency in Washington DC could allow border cities to address issues that were beyond their scope by taking issues directly “up” and “between governments”. Even though de la Garza acknowledged that CODAF derived important benefits from its location in Washington, DC, the congressman refused to offer his full support for the agency. And his major reasons evidently mirrored some of the complaints leveled by chambers of commerce.

Ultimately, de la Garza disliked CODAF because it represented a rival base of administrative and political power. De la Garza charged CODAF with neglecting its foreign affairs mission with a generalized concern with the “Mexican-American [*sic*] atmosphere” of the borderlands.<sup>50</sup> By focusing too much on domestic issues, it seemed that CODAF neglected its primary function as a foreign relations body. But CODAF’s interest in Mexican American affairs also represented a challenge to de la Garza’s power. The representative from McAllen, Texas, resented how CODAF suggested he needed a “liaison commission to tell me what my people need.”<sup>51</sup> Much like the chamber boosters from across the borderlands, de la Garza did not like the fact that he lacked direct access to CODAF and its activities politically or administratively. de la Garza’s complaints also overlapped with a much larger concern about the lack of ethnic Mexicans on its staff. As the representative from the borderlands and its large Mexican

<sup>50</sup> *Hearing before the Subcommittee on Inter-American Affairs of the Committee on Foreign Affairs of the House of Representatives on H.J. Res. 894: To Authorize Appropriations for Expenses of the United States Section of the United States-Mexico Commission for Border Development and Friendship*, 91st Cong., 1<sup>st</sup> sess., September 5, 1969 (Washington D.C.: GPO), 1969, 2.

<sup>51</sup> *Hearing before the Subcommittee on Inter-American Affairs of the Committee on Foreign Affairs of the House of Representatives on H.J. Res. 894: To Authorize Appropriations for Expenses of the United States Section of the United States-Mexico Commission for Border Development and Friendship*, 91st Cong., 1<sup>st</sup> sess., September 5, 1969 (Washington D.C.: GPO, 1969), 11, 12.

American population, de la Garza thought that he was best suited to advocate for the issues important to his border constituents and Mexican Americans across the borderlands.

The dearth of Mexican Americans on CODAF's staff generated consistent criticism that the agency was simply a mouthpiece for local chambers of commerce. Ed Roybal, a delegate to the House of Representatives from the San Fernando Valley, perhaps voiced this concern most prominently during a hearing to determine CODAF's funding. When Roybal won the election for Los Angeles's ninth district city council seat, he was the first Latinx person since 1888 to serve as councilperson.<sup>52</sup> His campaign spawned the development of the Community Service Organization (CSO), which registered new voters, but also took up issues of school segregation, housing and employment discrimination, and police brutality. As a longtime advocate for the civil rights of ethnic Mexicans, Roybal minced few words when he examined the number of Mexican Americans on CODAF's staff.

"There is only one man of Mexican descent" on CODAF's staff Roybal told the commissioner during a hearing on CODAF's funding and budget. Other than the commissioner, a couple administrative assistants, and a regional representative in El Paso, CODAF did not employ many ethnic Mexicans. And when CODAF officials assured the congressman that they would like to hire more Mexican Americans, Roybal asked quite tartly if these new hires were "going to be secretaries, or janitors or what?" Much like de la Garza, Roybal thought that more Mexican Americans from the borderlands should serve on a "commission that deals with Mexico" and the borderlands. Roybal stated that he would not support CODAF or its mission

<sup>52</sup> David G. Gutierrez, *Walls and Mirrors: Mexican Americans, Mexican Immigrants, and the Politics of Ethnicity* (Berkeley: University of California Press, 1995), 168-169, 171 and Lori Flores, *Ground For Dreaming: Mexican Americans, Mexican Immigrants, and the California Farmworker Movement* (New Haven: Yale University Press, 2016), 73, 113-114.

unless he got “some commitment from you fellows that you are going to a lot better than you are doing with regard to Mexican Americans” being appointed to high-level positions.<sup>53</sup> Much like the chambers of commerce, Royal and de la Garza both wanted CODAF to appoint more representatives with direct border experience. These representatives, though, needed to be less versed in the priorities and interests of chambers of commerce and industrial development commissions, but instead needed to be direct representatives of the Mexican Americans that lived along the border and required the assistance of the federal government in overcoming economic, political, and social discrimination.

CODAF’s commissioners largely agreed with de la Garza and Roybal’s criticisms, but were hamstrung by the racial and ethnic composition of the federal government. CODAF had funding for about 6 high-level administrative positions. The rest of the policymaking staff were borrowed from other federal agencies. Moreover, these commissioners were often selected by their home departments and not CODAF. For those reasons, CODAF’s departmental commissioners argued that “we have no authority to change the secretaries of other Government agencies.” They suggested that the current funding structure forced them to rely on the federal government’s existing workforce, which was overwhelmingly Anglo-American. If funding was expanded, CODAF could hire more direct advisors and consultants that both came from the borderlands and were ethnic Mexicans. Until then, the agency itself was hampered by the educational and occupational discrimination that had long afflicted Mexican Americans.

<sup>53</sup> *Hearing before the Subcommittee on Inter-American Affairs of the Committee on Foreign Affairs of the House of Representatives on H.J. Res. 894: To Authorize Appropriations for Expenses of the United States Section of the United States-Mexico Commission for Border Development and Friendship, 91st Cong., 1<sup>st</sup> sess., September 5, 1969 (Washington D.C.: GPO, 1969), 48, 50.*

This failure to address the lack of Mexican Americans on CODAF's staff stands as a synecdoche for the commission's larger failure to address problems of discrimination against ethnic Mexicans in the U.S. borderlands. Much like their staffing issues, CODAF was hamstrung by the larger vision and policy toolkit. The overall lack of ethnic Mexicans on CODAF's staff reveals a larger frame of reference for how the Democratic Party and Great Society conceptualized poverty and its abatement strategies. Democrats and other government officials subscribed to a menu of ideas and policies that avoided directly tackling issues of discrimination, but instead sought to harness market forces to improve standards of living while leaving larger structures of inequality untouched. That story will form the bulk of the next chapter.

Chapter 3: “Mirage in the Desert: Growth Liberalism and the Illusive Promise of Economic Development in the U.S.-Mexico Borderlands



Illustration 2: “Border Diplomat.” Ambassador Raymond Telles answers a question from Charles Hillinger in front of the port of entry between Calexico, California, and Mexicali, Baja California, in 1967. Courtesy of the *Los Angeles Times*

In May 1967, Raymond Telles pulled into Los Angeles, California, after being on the road for almost forty days. This journey was not a pleasure tour. It was a fact-finding mission about the U.S. border region’s economic and social conditions. Soon after President Lyndon Baines Johnson appointed Telles as the ambassador to the Commission for Border Development and Friendship (CODAF) in March 1967, Telles began his seven-week, 2,000-mile trip along the boundary line between Mexico and the United States. During this trip Telles met with the governors of California, New Mexico, Texas, and Arizona, but he also dropped by towns with as few as 50 people. Many of these border hamlets assembled some of their largest crowds to see the first Mexican American to serve as a U.S. ambassador.



After noticing the popularity of Telles's tour, the *Los Angeles Times* published a brief story on the ambassador. The article's author, Charles Hillinger, was a longtime features columnist who "traversed the highways and byways of California" in search of compelling human-interest stories.<sup>54</sup> Hillinger thought that a U.S. ambassador that only represented a portion of the country was quite interesting and wrote that "throughout history ambassadors have represented the interests of their entire country," but in this particular instance, Telles and his Mexican counterpart, Jose Vivanco were the only "border ambassadors."<sup>55</sup> The features writer honed in on the strange scenario of two international ambassadors cruising along the dusty lanes of South Texas, New Mexico, and California much like traveling salespeople or first time political candidates and described how these ambassadors stayed in cheap roadside motels instead of posh hotels. Eschewing the rigid formality of diplomacy, Telles and his counterpart attended local town halls with municipal leaders and community activists instead of dining at stuffy banquets. There was a bit of aw-shucks humor and fascination embedded in this feel-good story about two barnstorming ambassadors from the U.S.-Mexico borderlands.

But Telles depicted the borderlands in much more dire terms. After settling into his office in Washington D.C., Telles wrote to Lyndon Johnson that:

During my seven-week tour of the 2,000 mile frontier with Mexico in April and May, I saw the most moving and compelling evidence that the United States and Mexico must act with decisiveness and speed—jointly and unilaterally—to alleviate unemployment, disease, malnutrition, ignorance and a general feeling of desperation among the peoples of that area.<sup>56</sup>

<sup>54</sup> Dennis McClellan, "Times Writer Made Colorful Characters His Beat," *Los Angeles Times*, 30 April 2008.

<sup>55</sup> Charles Hillinger, "Mexican Border Ambassador Has Rare Assignment," *Los Angeles Times*, 15 May 1967.

<sup>56</sup> Raymond Telles to Lyndon Johnson, 14 July 1967, Folder IT-87 Border Development Commission, box 19, EX IT 84, IT (International Organizations, White House Central Files, Lyndon Johnson Presidential Library and Museum, Austin, TX.

Telles's memo expressed the seriousness of his responsibilities and the main reason he was appointed to his unique post. His task was to coordinate a regional development plan between the U.S. and Mexico that addressed the region's systemic issues of economic deprivation and political disenfranchisement. In order to develop a menu of programs and policy prescriptions for the U.S.-Mexico borderlands, Telles needed to build a comprehensive and authoritative knowledge of the region and its economic and social conditions. Only then, could Telles truly begin his monumental task of eradicating poverty in the borderlands.

Telles vowed that his trip was the beginning of a new era where the federal government worked hard to solve the border region's many economic and social problems. The U.S.-Mexico borderlands experienced high levels of poverty because national governments tended to ignore the region because of its geographic remoteness, punishing physical environment, and the binational connections that many border communities continued to sustain. But Telles vowed that CODAF would initiate a close and supervisory relationship between the federal government and the citizens that resided along the borderline. The ambassador said that his first order of business was a comprehensive study of the border region and its economic and social problems. Telles commissioned a non-governmental, development-consulting agency known as Nathan Associates to produce a research study that came to be known within CODAF as the Nathan Report.<sup>57</sup>

The Nathan Report forms the main subject of this chapter and becomes a window into examining the historical problems of the border region, but also provides evidence of some of the

<sup>57</sup> Raymond Telles to Lyndon Johnson, 14 July 1967, Folder IT-87 Border Development Commission, IT (International Organizations, White House Central Files, Lyndon Johnson Presidential Library and Museum, Austin, TX.

ideological limitations that guided Telles's thinking about poverty and development in the borderlands. The Nathan Report gives us a glimpse of the border region's historical rates of poverty and unemployment as well as some of the general social and economic obstacles within the region. As the first work to examine the Nathan Report, this essay demonstrates the importance of the study for our understanding of the Great Society and its effects on the U.S.-Mexico borderlands and Mexican Americans. CODAF officials used the Report to develop the conceptual tools and categories that would define and outline the physical region and the social, economic, and political forces it contained. Most importantly, by conducting a close reading of the Nathan Report alongside several other documents that probed the causes of poverty in the borderlands we are able to see stark evidence of postwar liberalism's inability to devise solutions to poverty and structural inequality. Despite the Nathan Report's suggestions that private investment could not solve the region's economic problems, Telles's postwar liberal faith in a growing economy silenced any warnings about the limited effect of industrial development and private investment.

This chapter seeks to place CODAF's regional study of the border region within the ideologies and shibboleths of New Deal planning and postwar liberalism. Historian Bruce Schulman once demonstrated that the Roosevelt Administration's *Report on Economic Conditions of the South* provided the economic, political, and social outline for the region that we now know as the "Deep South."<sup>58</sup> This chapter uses Schulman's model to argue that CODAF

<sup>58</sup> Bruce J. Schulman, *From Cotton Belt to Sun Belt: Federal Policy, Economic Development, and the Transformation of the South, 1938—1980* (Durham, NC: Duke University Press, 1994). For more on regional planning during the New Deal, see Sarah T. Phillips, *This Land, This Nation: Conservation, Rural America, and the New Deal* (New York: Oxford University Press, 2007); Jess Gilbert, *Planning for Democracy: Agrarian Intellectuals and the Intended New Deal* (New Haven, CT: Yale University Press, 2015); Jason Scot Smith, *Building New Deal Liberalism: The Political economy of Public Works, 1933—1956* (Cambridge, UK: Cambridge University Press, 2005); Jordan Schwartz, *The New Dealers: Power*

planners performed a similar feat for the U.S.-Mexico borderlands. The desire to define problems in regional terms and develop a wide-ranging program to eradicate the underlying causes of poverty and under industrialization is on full display in the Nathan Report. This study gave CODAF a physical, economic, and social shape to imagine the boundaries of the borderlands region. In many ways, this study enacted and produced a region that seems to be wholly natural and timeless today. But the Report itself as well as Telles's reaction to its recommendations allow us to develop two major understandings about poverty and government planning in the U.S.-Mexico borderlands during the 1960s.

First, an examination of CODAF's study and plans for the U.S.-Mexico borderlands also allows scholars an opportunity to understand how planners and government officials involved in Johnson's Great Society understood the causes for ethnic Mexicans' systemic poverty and political disenfranchisement. Numerous treatments have examined how Great Society studies, plans, and programs racialized and gendered the reasons that African Americans experienced poverty and other social problems, but relatively little attention has been paid to how the Johnson Administration problematized the conditions and obstacles for Mexican Americans.<sup>59</sup> When one researcher followed-up on the Nathan Report in 1970, he noticed that "while considerable attention has been given to formulating programs to aid the social and economic advancement"

*and Politics in the Age of Roosevelt* (New York: Knopf, 1993). For a more recent take on rural poverty and its connection to metropolitan development see, Andrew Needham, *Power Lines: Phoenix and the Making of the Modern Southwest* (Princeton, NJ: Princeton University Press, 2015).

<sup>59</sup> Elizabeth Hinton, *From the War on Poverty to the War on Crime: The Making of Mass Incarceration in America* (Cambridge, MA: Harvard University Press, 2016); Michael B. Katz, *The Underserving Poor: From the War on Poverty to the War on Welfare* (New York: Pantheon, 1990); Alice O'Connor, *Poverty Knowledge: Social Science, Social Policy and the Poor in Twentieth-Century U.S. History* (Princeton, NJ: Princeton University Press, 2001); and Michael B. Katz; *In the Shadow of the Poorhouse: A Social History of Welfare in America* (New York: Basic Books, 1996) and Thomas Sugrue, *The Origins of the Urban Crisis: Race and Inequality in Postwar Detroit* (Princeton, NJ: Princeton University Press, 2014).

of African Americans, “relatively little attention has been paid to the often equally severe problem of our Mexican American population.”<sup>60</sup> This chapter tries to place the Nathan Report within a larger intellectual history of the Great Society’s view of Mexican Americans. By examining this document alongside other reports and studies of the era, we see that Great Society planners acknowledged that discrimination against Mexican Americans existed. But instead of placing the majority of the blame for Mexican American’s poverty upon this discrimination, many researchers instead blamed undocumented immigrants and migratory workers. This allowed planners and officials to avoid the issue of racism and the government’s responsibility to combat discrimination and inequality. Much like the Moynihan Report pathologized African American men, women, and families, similar studies focused on Mexican Americans used immigration as a political scapegoat in order to erase the effects of systemic and structural inequality.

Second, the Nathan Report reveals that the Great Society’s promise to eliminate poverty remained wedded to visions of continued economic growth. CODAF’s reliance upon private investment and technological growth to improve the standard of living in the borderlands is part of a larger constellation of ideas about the link between economic growth, improved standards of living, and political and social equality that Robert M. Collins has called growth liberalism. According to Collins, growth liberals thought that an ever-expanding economy would raise everyone’s standard of living and as a result allow previously marginalized citizens to enjoy political and social advancement alongside the gains they experienced in their paychecks. By reading the Nathan Report, it is clear that CODAF adhered to this viewpoint during their

<sup>60</sup> Niles M. Hansen, *Rural Poverty and the Urban Crisis: A Strategy for Rural Development* (Bloomington: Indiana University Press, 1970), 219.

planning and study of the U.S-Mexico borderlands. From its outset, CODAF launched several social welfare programs related to housing, education, and public health and welfare, but the Nathan Report casted doubt on the efficacy of these initiatives to reduce poverty in the borderlands. As a result, Telles and his colleagues in CODAF turned to private investment and industrial advancement as the main strategies to improve the standard of living in the borderlands. But researchers also suggested that even widespread private investment would not be a panacea for the region's environmental obstacles and systematic social and economic ills.

CODAF paid no heed to the warnings in the study because of their adherence to growth liberalism and regional planning. Instead, the planners latched onto a promising, but limited, scheme for the economic development of the region. This initiative, the binational industrial park proposal, seemed to transcend the problems that the political border and the natural environment posed for economic development. A binational industrial park encouraged American companies to build *maquiladoras* in American cities. American *maquiladoras* would house technical and managerial staff and be connected to their Mexican operations physically even though they were separated by the border politically. But the proposal papered over some of the fundamental problems of the region. The data compiled by Nathan Associates did not suggest that there would be any easy fixes. The Nathan Report's warnings, however, did not dampen Telles and CODAF's motivation to find solutions to the many problems they encountered. The future, according to many liberals such as Telles was quite bright. Their rosy assessments of the future had much to do with their own experiences of upward mobility and social progress.

### **Raymond Telles, Lyndon Johnson, and Postwar Liberalism**

Telles's political experience as mayor of El Paso influenced his approach to the borderlands at CODAF, but this experience was also embedded within the context of a much

larger political philosophy. Like many others in his political cohort, Telles's experience with the Great Depression and World War II imbued him with an expectation that the federal government's resources and expertise had the power to solve many of the nation's economic, political, and social problems. Moreover, this political philosophy held that the government's main tool for reducing the country's many inequalities was the steady growth of the economy.<sup>61</sup>

Raymond Telles believed that the federal government played a central role in raising the standard of living for poor people because he himself had used government programs to ascend the ranks of the career civil service. As a beneficiary of the GI Bill, Telles received an accounting certification. His bookkeeping career led him into public office, where he gained the reputation as a scrupulous and hardworking comptroller in El Paso, Texas. His credentials and experience, his strong record of public service, and his connection to the Mexican American barrios of his hometown propelled him to the mayor's office in 1955. Upon his election, he was the first Mexican American mayor of a major city since Cristobal Aguilar served as mayor of Los Angeles in the 1860s. Looking back, Telles credited his experience in the military as well as the government's support for his education as integral to his early political success. For this reason, Telles, much like Johnson, became a fervent believer that education and other government programs were the keys to alleviating poverty in the borderlands.<sup>62</sup>

As a result, Telles threw his political support behind Texas liberals like Johnson, who defended and proposed an expansion of New Deal. Telles drummed up support for Johnson's senate campaign in 1948. Johnson remembered Telles's help in this very close election. In 1955

<sup>61</sup> Mario T. Garcia, *The Making of a Mexican American Mayor: Raymond L. Telles of El Paso* (El Paso: Texas Western University Press).

<sup>62</sup> Garcia, *The Making of a Mexican American Mayor* and Julie Leininger Pycior, *LBJ and Mexican Americans: The Paradox of Power* (Austin: University of Texas Press, 1997), 59, 100.

Johnson called Telles to congratulate him on his mayoral victory. A few years later, Johnson urged Kennedy to appoint Telles as the ambassador to Costa Rica. When Kennedy tapped Telles for the post, the mayor became the first Mexican American to serve as an ambassador. <sup>63</sup>

Telles and LBJ seemed to have an amiable relationship for both political reasons and larger ideological goals. At first glance one could read this relationship as transactional. Johnson wanted to secure Mexican Americans' political support. Telles sought to advance his own political career by delivering votes and performing capably as a diplomat and administrator. But one must also consider that Telles's appointment as an ad-hoc ambassador to CODAF was a step down from his previous post as the chief U.S. diplomat to Costa Rica. In his new position, Telles was no longer afforded the luxuries of a sustained budget and clear operating guidelines and principles. As commissioner of CODAF, he was thrust into a new and uncertain post.

But the ambiguities of his post did not mean that his objective was not clear. Johnson conveyed the expectation that nothing short of complete eradication of poverty in the borderlands was acceptable<sup>64</sup>. It seems that Telles may have been inspired by Johnson's call for "more action" on the issue of poverty in the borderlands. In fact, Telles wrote to Johnson about how in his "last talk with you (Johnson) on this matter, I was deeply impressed with your determination to do something about the situation along the border." Telles experienced the region's poverty as a boy growing up in El Paso's Segundo Barrio as well as during his mayoralty, where he struggled to improve the region's economy. It is not hard to believe that Telles signed onto the commission to improve the conditions he witnessed firsthand.

<sup>63</sup> Pycior, *LBJ and Mexican Americans*, 100.

<sup>64</sup> Zarefsky, *Johnson's War on Poverty*.



Postwar liberalism's expectations and assumptions about economic growth and social welfare shaped Telles's commitment to improve the standard of living in the borderlands. This view of social welfare did not advocate for radical economic change or redistribution. Instead, it relied upon and depended upon an ever-growing economy. Termed "growth liberalism" by historian Robert M. Collins, this viewpoint contended that the federal government needed to promote and stimulate economic growth in order to raise the standard of living as well as fulfill the government's limited social welfare programs and its military commitments to its allies. These liberals thought that an expanding GDP was the only salve for economic and social inequality.<sup>65</sup> As a result, many of Telles's experimental demonstrations and poverty abatement projects proved secondary to the goal of economic growth. But the Nathan Report provided a much more dim view of the government's ability to stimulate growth in the region.

### *The Beginnings the "Nathan Study"*

The first directive for the Commission for Border Development and Friendship was to create a comprehensive study of the border region. When President Gustavo Diaz Ordaz and President Lyndon Johnson signed an agreement to "raise the standard of living of the respective communities from a social as well as cultural point of view" through "cooperative action." In order to achieve this lofty goal, both Diaz Ordaz and Johnson instructed the newly installed chairmen of their commissions to undertake a comprehensive study of the borderlands. Telles began the first phase of that research process during his 6-week fact-finding tour of the border

<sup>65</sup> Robert M. Collins, *More: The Politics of Economic Growth in Postwar America*. (New York: Oxford University Press, 2000).

region. But Telles also began the task of finding an entity to research and write a comprehensive report about the border region's economic, social, political, physical, and cultural environment.

From the beginning of the study, CODAF held onto hope that the binational industrial park proposal would be the borderlands region's panacea. Once the proposal went out for bid, Telles assembled a subcommittee of commissioners from the economic development-working group. This subcommittee reviewed 11 proposals. Nathan Associates was the clear front-runner from the early stages because many of these other studies "*failed to examine the political and social framework under which a bi-national park would need to operate.*"<sup>66</sup> Telles and his colleagues deemed other proposals inadequate because they did not "make recommendations for institutional changes." Nathan Associates, a firm based out of Washington, D.C. avoided these pitfalls and made the most comprehensive proposal according to the commissioners in US-CODAF. CODAF-Mexico agreed when they were consulted. Even though the Nathan Report's unenthusiastic prediction for economic development did not change many of CODAF's ideological assumptions, the detailed economic research shaped the Commission's image of the border region and its potential economic models.<sup>67</sup>

*The Border Region's Environment: Scarcity and the Limits of Economic Development*

<sup>66</sup> Robert N. Allen to Raymond Telles, 6 October 1967, Folder INCO 12-5 Industrial Parks, box 24, INCO-1 Policy Plans to INCO-12-5 Industrials [sic] Parks, General Correspondence, 966-69, United States-Mexico Border Commission, Record Group 43: Records of International Conferences, Commissions, and Expositions, National Archives and Records Administration, College Park, MD (emphasis added).

<sup>67</sup> Robert N. Allen to Raymond Telles, 6 October 1967, Folder INCO 12-5 Industrial Parks, box 24, INCO-1 Policy Plans to INCO-12-5 Industrials [sic] Parks, General Correspondence, 966-69, United States-Mexico Border Commission, Record Group 43: Records of International Conferences, Commissions, and Expositions, National Archives and Records Administration, College Park, MD.

CODAF's birds-eye view of the borderlands began with an assessment of how the region's physical environment and location inhibited economic growth. Though artists and writers had come to love the desert over the course of the twentieth century, the Nathan Associates' research team held a very unfavorable opinion of the borderlands environment.<sup>68</sup> The Nathan Report concluded that:

The Border Region's physical economic resources are quite limited. Deserts, mountains, and above all, aridity are the dominant elements of the landscape. Exploitable minerals, with the exception of copper in Arizona and New Mexico and some oil and gas in Texas, have not been found in any quantity. Although half the area is defined as farmland, much of it is poor pasture used for extensive grazing, and only in a few valleys can the land be cropped intensively with the help of irrigation.<sup>69</sup>

Early on, the team focused on the region's inhospitable climate and the dearth of natural resources as some initial reasons why the region failed to industrialize. The study, however, not only commented upon how the region's lack of resources inhibited economic growth, but also suggested how this lack of resources shaped current development. CODAF researchers did not attribute the region's poverty totally to the environment, but they did surmise that the region's most prevalent environments limited the possibilities for industrialization. Moreover, the types of environments that they encountered helped determine local cities' economic and political functions within the markets and political systems of the United States and Mexico. For example, CODAF researchers suggested that:

within the Region there are seven fairly distinct physical regions in terms of topography, geology, climate, and soils, which, in varying degrees, have helped determine the pattern of economic development of the area in terms of the natural

<sup>68</sup> For more on changing opinions of the desert, see Patricia Nelson Limerick, *Desert Passages: Encounters with the American Deserts* (Albuquerque: University of New Mexico Press, 1985) and Anne Hyde, *An American Vision: Far Western Landscapes in National Culture, 1820—1920* (New York: NYU Press, 1991).

<sup>69</sup> "Nathan Study," 5.

resources they provide and of the relationships that are possible with Mexico and with the rest of the United States.<sup>70</sup>

And many of the generalizations about the environment and economy that they developed were logical assessments that reinforced their observations of economic patterns. For example, the Nathan researchers suggested that major croplands and agricultural centers developed on “patches of alluvium [that are] fertile and suitable for crops.” This holds true for Imperial County, in California, where the wending course of the Colorado River and other streams deposited millions of acres of fertile soil.<sup>71</sup> Such a claim also seemed to describe the lower Rio Grande River counties in Texas, which were also dependent upon agriculture and benefitted from the rich loam created by the Rio Grande.

In contrast to these low-lying delta communities were the basin-and-range topographies of Arizona and New Mexico. Arid plains and basins that are interrupted by steep and rugged mountain ranges that rise 5,000 and 6,000 above sea level characterize the Basin and Range geographic province. Sharp rises and steep declines meant that rain often fell on leeward sides of mountain ranges, which turned their supplementary basins into hot, dry, and scrubby flatlands. Only scraggly and hardscrabble flora, such as mesquite and chaparral, grew on these plains.<sup>72</sup> Because agriculture did not thrive on a commercial scale in the basins and ranges, the climate and economic activities kept the populations in these environmental regions small. It was here though, that many of the region’s hard-rock mines were found. Copper and lead are plentiful in Arizona. Silver and gold mines pockmarked many of New Mexico’s peaks. As a result, mining remained a steady, if limited industry in borderlands ranges into the 1970s. Ranching became the

<sup>70</sup> “Nathan Study,” 101.

<sup>71</sup> “Nathan Study,” 103.

<sup>72</sup> “Nathan Study,” 105.

primary preoccupation in many of these basins. Many of the communities in the basins became cow towns that serviced the expansive ranches and provided rail connections that transported steer on their final perambulations to the feedlots of the Midwest and southern Plains. Unlike agriculture, ranching and mining required far less unskilled labor. As a result, populations tended to congregate in smaller towns or cities near mines or ranches in the basin and ranges of New Mexico and Arizona.

But the rugged terrain also meant that these areas were not natural connections to Mexico. There were few crossing points in Arizona and New Mexico and little seasonal work to attract many migrants to these areas. Unlike many of the agricultural counties in low-lying deltas, these areas often counted few recent Mexican immigrants in their population. A smaller amount of migration meant that the populations stayed low and stable.<sup>73</sup>

These were broad and far-ranging observations and the researchers did not intend to suggest an environmentally deterministic viewpoint. But they did emphasize that climatic and environmental conditions dictated some of the possible economic outcomes for the counties of the border region. Later on in the study, CODAF researchers complicated these environmental studies by analyzing how cultural and political circumstances shaped the economies of the border region. But they would also single out certain areas as modes of development. And even if some of these major categories of development depended upon political conditions, the basic environmental preconditions remained as salient considerations for future economic plans. The Nathan Report singled out high-tech manufacturing as the solution to the region's many economic and social problems.

*Economic Overview of the Borderlands: The Region's Three Models of Economic Development*

<sup>73</sup> "Nathan Study," 103.

The Nathan researchers depicted a grim image of a region mired in poverty. Researchers compiled all types of different statistics to assess the wealth of the region. Per capita income in many of the border region's cities struggled to keep pace with the rest of the country. For example, San Diego was by far the wealthiest city and county in the region, but it still averaged a per capita income that was 106% of the national average. In contrast, people that lived in Laredo, Texas, earned only 43% of the national average. The numbers for three major Rio Grande cities classified them as the poorest three metropolitan areas of the 246 urban entities monitored by the U.S. Census Bureau.<sup>74</sup> This type of news, however, was not surprising to Telles, who had witnessed that poverty firsthand. Telles had already driven the 2,000 miles along the U.S.-Mexico border and had seen many of region's problems and opportunities. The Nathan Report painted a region that as a whole was desperately poor and underdeveloped. But much like the basin-and-range topography, the border region contained peaks and valleys of wealth and modern development.

During their survey of the borderlands, CODAF administrators tried to make sense of the U.S.-Mexico border by comparing the more successful areas of the region to the parts that struggled the most economically. CODAF instructed the Nathan Researchers to define the scale of the borderlands region as all counties adjacent from the border starting at the Pacific Ocean and ending at the Gulf of Mexico. Using this spatial representation of the service area, CODAF administrators developed an image of the U.S.-Mexico borderlands that was defined by three major regional examples of urban and economic development. The first archetype was the modern Sunbelt City. Exemplified by cities such as San Diego, Tucson, and El Paso, this model

<sup>74</sup> "Nathan Study," 62.

relied upon government spending related to research, education, and defense. The second model was the low-population agricultural and extractive county. CODAF administrators pointed to Yuma and Santa Cruz County in Arizona for this example. This second case study had stable populations that found steady employment in the agricultural, mining, retail, and cattle ranching industries. Though less wealthy than their counterparts in the first tier cities, these areas seemed to be self-sustaining and required less direct government intervention than other parts of the borderlands.

The last and final model was the most troublesome for CODAF planners. Southeast of El Paso, the lower Rio Grande Valley counties were the most valuable agriculturally. But this area also had the least wealth per capita and the highest rates of mortality and outmigration. These indicators seemed to suggest that these areas were declining in population, but because of their close proximity to numerous crossing points and long histories of migration across the Rio Grande, many of these counties' populations boomed in the 1960s. This combination of extreme productivity, poverty, and population flux proved to be the most vexing problem for CODAF.

#### *Military-Industrial Metropolises: San Diego, Tucson, and El Paso*

The most successful metropolitan areas within the U.S.-Mexico borderland region were hubs of education and manufacturing that depended upon federal funding for defense related activities. CODAF researchers singled out these cities as ideal models of development because “the type of industry that could exist on the border, in which markets, distance, and raw materials are secondary, are those that involve style, design and a relatively high input of sophisticated

talent.” These types of engineering and high technology companies already flourished in San Diego, but other cities such as Tucson contained similar operations “to a lesser degree.”<sup>75</sup>

San Diego was the region’s economic juggernaut. It was the largest city in the borderlands and also experienced the fastest rate of growth along the border.<sup>76</sup> But government funding played an important role in that growth. Money from government contracts helped companies make payroll for the 55,000 workers that worked in defense-related industries.<sup>77</sup> San Diego had other distinct advantages over its regional rivals such as Tucson or Phoenix. CODAF researchers commented that the “amenities of living in many communities of the border area are not attractive now to the executives and highly-skilled technicians who do these kinds of work.” As a longtime resort destination, port city, and naval installation, San Diego had established metropolitan institutions, cultural activities, and educational facilities. Additionally, the city’s glamorous reputation as the getaway of Hollywood stars and a balmy, coastal climate appealed to the educated, Midwestern migrants needed for defense-related industries. For many CODAF planners, the San Diego model proved to be an enticing template to apply to other locales, but it also seemed that this type of success would elude many other areas in the border region.

Cities like El Paso also drew upon the largesse of the Cold War state to fortify their local economies, but had a much weaker manufacturing base. El Paso counted 34,000 service members stationed at Fort Bliss and other installations. These service members added \$205 million dollars in payroll to the city. Unlike San Diego, El Paso did not have very many engineering or high-tech manufacturing firms. Even though the city on the Rio Grande was quite wealthy when compared to other Texas cities along the border, it was clear that the local

<sup>75</sup> “Nathan Study,” 30.

<sup>76</sup> “Nathan Study,” 217.

<sup>77</sup> “Nathan Study,” 219.



economy depended heavily upon the military base's 6,000 government-funded jobs in addition to the soldiers stationed there.

Tucson, Arizona, was one of the fastest-growing cities in the country, but it had not yet developed a mature and diverse set of industries. Half of Arizona's border population lived in Tucson. The city was a main metropolis for local borderlands residents, but it also experienced a nearly continuous in-migration from other parts of the United States after the end of World War II. Between 1950 and 1967, about 105,000 U.S. citizens relocated to Tucson to work in some of the city's 235 new manufacturing firms. Firms set up operations in Tucson after Hughes Aircraft opened up a plant in the early 1950s. The four largest companies aside from Hughes Aircraft built aeronautical components and/or electronic equipment that Hughes needed to assemble missiles. Tucson's economy also benefitted from the Davis-Monthan Air Force base. Copper mining was also an anchor of Tucson's economy and Pima County remained one of the largest producers of copper in the world during the 1960s. Technological advancements had reduced the workforce, but Tucson's long history as a center for education and research for the mining industry made it the preferred location for industry scientists.

As in the case of El Paso, it was difficult for observers to overlook the importance of federal funding in Tucson's economy. Local, state, and federal government added 8,900 jobs during the 1960s, which was the largest single increase of any industry. Many of these jobs went to defense-related or support roles, but they also multiplied at the university level in research capacities, as well as to support the education goals of enlisted personnel. The dramatic growth of these three areas papered over some serious issues that hindered the region's growth.

It seems that these cities were the most desirable model for borderlands development, but CODAF planners feared that their dependence on federal money made them vulnerable to

economic downturns. These cities quickly felt the pain when the government cut defense spending. For example, a round of defense cutbacks in 1964 forced Hughes to shed 3,700 workers. In San Diego, companies turned out almost 18,000 employees. When CODAF researchers prepared their report in 1968, employment in San Diego's ordnance and aerospace firms had dropped below 1960 levels and were not predicted to recover for the foreseeable future. The limited number of investment sources hurt these cities' economies. This meant that San Diego, El Paso, and Tucson did not keep pace with other industrialized areas in the country. According to the "Nathan Study," as of 1965 all six of the major metropolitan areas in the borderlands, including San Diego, El Paso, and Tucson, were "under industrialized."<sup>78</sup>

*The Static and Non-Agricultural Counties: Arizona and New Mexico*

Outside of the largest three urban centers of the border region, there were a number of rural counties in Arizona and New Mexico that did not offer answers to the region's development problems, but were also not necessarily problematic. Many of these counties had long-established ties to a particular economic sector such as agriculture, mining, ranching, and retail, but also benefitted from federal funds. This federal money came in the form of military bases or through federal agencies such as the Bureau of Land Management or National Forest Service. These areas also tended to have the smallest overall populations and the least amount of growth. This meant that unlike the military-industrial metropolises, these counties were not attracting a lot of newcomers from the nation's Midwest, Northeast, or South. But this also

<sup>78</sup> "Nathan Study," 10, 59, Folder E-5 Economic Development 1969—70, box 18, General Correspondence 1966-69, United States-Mexico Border Commission Files, record group 43, Records of International Conferences, Commissions, and Expositions, National Archives and Records Administration, College Park, MD.

meant that the rural Arizona and New Mexico counties counted much less migration from Mexico than the lower Rio Grande counties east of El Paso in Texas.

These rural counties did not contain the new and flashy companies of San Diego, El Paso, and Tucson, but could count on one or two well-established industries. Mining proved to be a stable sector for Arizona's border counties. Cochise and Santa Cruz Counties began processing copper beginning in the 1870s.<sup>79</sup> In the 1950s, the need for copper grew dramatically because manufacturers used the metal in the household appliances that had come to define postwar life. The Bisbee, Lavender Pit, and Copper Queen Mines hummed into the 1970s because of this increased demand for copper.<sup>80</sup> As a result, the Arizona border counties witnessed the strongest job growth during the 1950s and 1960s. The skilled and unionized labor also meant that workers in Arizona border counties could claim the highest average income across the borderlands.<sup>81</sup> The overall economic strength of such counties was undeniable, but again CODAF officials were concerned that an over-reliance on one industry hampered overall social and economic growth in the region. And it was also unclear how many Mexican Americans were able to ascend to the highest levels of management for these companies. The fact that some counties were economically healthy did not indicate that all residents experienced those benefits equally.

Many counties in Arizona and New Mexico that once depended upon agriculture soon found that other sectors needed to absorb the unemployed farmworkers. In most instances, government funding made up for shortfalls in employment. Many of these areas lacked the large federal and state presence of military bases, aerospace firms, and research universities. Arizona

<sup>79</sup> Thomas E. Sheridan, *Arizona: A History* (Tucson: University of Arizona Press, 1995), 165—168 and “Nathan Study,” 227.

<sup>80</sup> “Nathan Study,” 227, 116.

<sup>81</sup> Even though San Diego recorded the highest overall income, wages per worker were higher in Santa Cruz and Cochise counties. ““Nathan Study”,” 121.

border counties relied upon smaller government operations to stay in the black. Yuma shed 15% of its workforce between 1960 and 1965. But government investments offset some of those losses. For example, Arizona's Yuma County had a workforce of 24,000 people in 1967. 4,900 of these people worked for the federal, state, and municipal government. An additional 3,600 people were stationed at the Yuma Proving Grounds.<sup>82</sup> White Sands Missile Range, which was located in New Mexico's Dona Ana County, employed 5,000 civilians and 2,000 military personnel. These 7,000 workers added \$46 million in payroll in 1967. State and federal government also added 14,000 jobs since 1960. In fact, government employment was so important in New Mexico because nearly "one job in three is a government job." Much like the military-industrial metropolises and the mining counties of Arizona, CODAF officials wondered if such an over-reliance on government spending was sound economic policy.<sup>83</sup>

These border counties were similar to their Sun Belt counterparts because both the rural counties and military-industrial metropolises counted very small numbers of recent migrants from Mexico. New Mexico reported a daily average of 30 people crossing the border at Columbus. The low number of official ports of entry meant that there tended to be very few recent Mexican migrants. The Sonoran Desert's harsh terrain deterred many migrants from entering the U.S. through this route during this period.<sup>84</sup> CODAF did not suggest that the lack of migration produced healthier economies, but they discussed how recent migrants were moving to areas that were already impoverished and suffered from heavy job losses in the previous years.

*The Impoverished Agricultural Counties: Imperial and the Lower Rio Grande River Counties*

<sup>82</sup> "Nathan Study," 226, 125.

<sup>83</sup> "Nathan Study," 235, 239.

<sup>84</sup> Mary Mendoza, "Treacherous Terrain: Racial Exclusion and Environmental Control at the U.S.-Mexico Border," *Environmental History* 23 (January 2018): 117—126.

Even though the border region was generally a very poor place, a handful of agricultural counties exemplified the region's economic deprivation. As recent as the late-1950s, these counties were large agricultural producers that required vast amounts of labor to plant and harvest crops. Some laborers built and maintained irrigation works. Food processing plants and transportation companies hired people to staff their operations. Mechanization in agriculture allowed many of these firms to cut the workers they once needed. Even though jobs dwindled in these counties, they experienced continued growth rates. As longtime destinations for Mexican laborers, these counties continued to see an influx of new residents even though the jobs that once supported them had been eliminated. These high-rates of in-migration, coupled with a high rate of natural increase and a depressed job market created several social and economic problems for these counties.

Imperial County, located between San Diego County and Arizona, experienced one of the highest rates of unemployment because of the changes happening in agriculture. In 1967, its annual harvest was \$228 million dollars, which was 35% percent of the total value of agricultural products produced across the entire border region. But this record high production accompanied historic job losses. Since 1960, Imperial County had lost 40 percent of its workforce. 3,700 jobs disappeared in 1967 alone.<sup>85</sup> In 1968 the unemployment rate in Imperial County skyrocketed to 10.1 percent. This unemployment rate was the highest in California and the second highest amongst all borderlands counties.<sup>86</sup> And unlike the Arizona and New Mexico border counties, a stable population did not balance out the job loss. Instead, steady migration from Mexico swelled the ranks of the unemployed in these border counties.

<sup>85</sup> "Nathan Study," 117.

<sup>86</sup> "Nathan Study," 118, 123.

High rates of recent migration and discrimination against Mexican Americans also presented some large obstacles for the county. Approximately 25 percent of Imperial County's workforce crossed the border on a daily basis; this meant that Imperial County had the largest percentage of Mexican nationals in their official workforce.<sup>87</sup> CODAF researchers identified Imperial County as one of the counties with the worst educational attainment rates for Mexican Americans. Because of systemic inequalities that prevented Mexican Americans from attending school, CODAF researchers admitted that Imperial County would be one of the counties least suited for any type of industrial development. Low literacy rates and non-existent technical training meant that there were not be enough qualified workers to staff the lines at prospective factories.<sup>88</sup>

An increasing population, a drop in the number of jobs, a high percentage of recent migrants from Mexico, and long histories of discrimination also made the Texas counties in the lower Rio Grande River Valley bastions of concentrated poverty. Increased population meant that there was one job for every 3.5 prospective employees across the lower Rio Grande counties.<sup>89</sup> Much like in Imperial County, many counties in Texas had long-established crossing points. This led to many more seasonal and permanent migrants crossing every day. <sup>90</sup>

Government support allowed many lower Rio Grande Counties to tread water economically. For example, Del Rio, Texas, in Val Verde County, was the home of Laughlin Air Force Base. Laughlin was part of the Air Training Command and employed about 2,500 active duty personnel and an additional 500 civilians. Altogether, this added about \$3.4 million in

<sup>87</sup> "Nathan Study," 118.

<sup>88</sup> "Nathan Study," 170.

<sup>89</sup> "Nathan Study," 247.

<sup>90</sup> "Nathan Study," 109, 112.

payroll. A military base made Del Rio seem similar to San Diego, but it is important to keep in mind just how little government spending happened in these lower Rio Grande River Counties. In Tucson, government spending far outpaced other types of investment or economic productivity. In the Rio Grande counties, government spending scarcely overtook some of the other much less profitable sectors. San Diego generated more money in payroll because their jobs were high-skilled engineering jobs, whereas Del Rio's contracts were related to providing personnel for base operations.<sup>91</sup> This meant that much like Imperial County, these lower Rio Grande River counties depended on an agricultural industry that was mechanizing.

Agriculture's decline led to high unemployment rates. In one county, CODAF researchers counted "one job for every four residents."<sup>92</sup> The region's unemployment rate also tended to spike during certain parts of the year. This was because many of the region's workers seasonally migrated to other parts of the country to work in fields in California, Colorado, and Wisconsin.<sup>93</sup> Since the beginning of the decade, the total number of agricultural jobs had decreased by 6,800-9,000 across the lower Rio Grande River counties. Texas's agricultural job losses, combined with the overall decline in the agricultural job market in the borderlands and across the United States meant that many of these workers could not find work in the Rio Grande or in the other fields they worked in at different times throughout the year.<sup>94</sup>

Even if government support propped up some counties in the Rio Grande borderlands, the rest of the towns located along the river experienced the lowest level of government funding

<sup>91</sup> "Nathan Study," 203.

<sup>92</sup> "Nathan Study," 256.

<sup>93</sup> Marc Simon Rodrigues, *The Tejano Diaspora: Mexican Americanism and Ethnic Politics in Texas and Wisconsin*. Chapel Hill: University of North Carolina Press, 2014 and Max Krochmal, *Blue Texas: The Making of a Multiracial Democratic Coalition in the Civil Rights Era* (Chapel Hill: University of North Carolina Press, 2016) .

<sup>94</sup> "Nathan Study," 261.

throughout the region. While other counties enjoyed the largesse from the Defense Department, another notable source of federal money came from social welfare and economic development programs. Across the board, Texas counties failed to garner the amount of federal money that other counties acquired. The amount of money that the Rio Grande counties acquired for poverty relief or general social welfare was abysmal. According to CODAF records, the Department of Housing and Urban Development disbursed the least amount of money in the Texas border counties. CODAF researchers highlighted the low usage of federal welfare funds when they dryly pointed out that the “state of Texas participated minimally in the food stamp program.” But this lack of participation became particularly noticeable along the border because even though these places recorded the lowest family incomes in the state, “no food stamp disbursements were reported for counties southwest of Brewster.<sup>95</sup>” At one level, this represented the state’s broader reluctance to support and engage in federally sponsored welfare programs.<sup>96</sup> But this is also indicative of the state’s larger history of discrimination toward ethnic Mexicans.

The Rio Grande River Counties’ struggle with unemployment did not begin in the 1960s, but was instead the product of a long history of exploiting ethnic Mexicans. The region’s dependence upon agriculture embedded seasonal spikes in unemployment into the region’s overall economic pattern.<sup>97</sup> And the Texas border counties contained some of the highest percentages of ethnic Mexican residents. Nearly all the Texas border counties counted ethnic Mexicans as well over half of their total populations. El Paso County counted 44% of its citizens as being ethnic Mexicans. And this percentage increased as it approached the Gulf of Mexico.

<sup>95</sup> “Nathan Study,” 206.

<sup>96</sup> The precise meaning of such a term a bit iffy. After all, Texas corporations and farmers all benefited from different types of government programs.

<sup>97</sup> John Weber, *From South Texas to the Nation: The Exploitation of Mexican Labor in the Twentieth Century* (Chapel Hill: University of North Carolina Press, 2015) 51—59.



Val Verde County had a population of ethnic Mexicans that comprised 68 percent of the population. Starr and Zapata Counties respectively counted 75% and 89% of its populations as ethnic Mexicans. <sup>98</sup> And these counties had long garnered a reputation for poverty and discrimination. <sup>99</sup>

But the Rio Grande counties' large population of ethnic Mexicans also resulted from high levels of recent migration. Because of the close proximity of many small Mexican cities, this part of the borderlands recorded very high rates of migration from Mexico. According to the Nathan researchers many Mexican Americans that resided in the border counties singled out these recent immigrants as the source of the region's high unemployment. CODAF disagreed with this assessment, but the agency did not consider immigration salutary. CODAF argued that immigrants did not take jobs from Mexican Americans. Instead, government officials argued that low wages and unemployment resulted from the mechanization of the agriculture industry. Researchers encapsulated one of the core findings from the "Nathan Study" when they wrote: "It is clear that the more immigration of unskilled Mexicans is permitted, the more the poverty problems of the border will persist."<sup>100</sup>

This was a numbers problem. Since agriculture could not absorb or support most border residents, the migration of more immigrants only magnified poverty in the region. And this made the delivery of adequate social services and the effective targeting of programs more difficult and expensive.

<sup>98</sup> "Nathan Study," 255.

<sup>99</sup> David Montejano, *Anglos and Mexicans in the Making of Texas, 1836—1986* (Austin: University of Texas Press, 1987) and Weber, *From South Texas to Nation*, 78—88.

<sup>100</sup> "Nathan Study," 9.

These structural problems led CODAF researchers to single out the Texas counties as a “special problem.”<sup>101</sup> CODAF was correct to acknowledge the racism and exploitation that made Texas counties into pockets of poverty, but the analysis overlooked the way that even San Diego’s and Tucson’s development excluded and marginalized ethnic Mexicans.<sup>102</sup>

*Discrimination and Juan Crow in the U.S.-Mexico Borderlands*

The “Nathan Study” raised several possible opportunities for the economic development of the borderlands, but also cast serious doubt that any of these options could succeed. The Nathan Associates suggested educational and vocational training, and limited industrialization as potential ways to improve the region’s fortunes. Though many residents seemed optimistic that some changes might alter the region’s economic prospects, these alterations or strategies did not address the fundamental economic changes, environmental conditions, and discriminatory practices that caused the region’s high unemployment, low wages, and low levels of occupational and educational attainment. Overall, CODAF seemed to ignore the region’s environmental limitations and the structural discrimination that prevented Mexican Americans from participating in the region’s economy.

Reliance upon the federal government obfuscated the high levels of poverty that existed in cities such as San Diego, especially among the region’s Mexican American population. Even though Tucson, El Paso, and San Diego were quite wealthy in relation to the rest of the border region, CODAF counted a combined 120,000 families, or almost a half million people, who lived in poverty within those three cities. Most of these families were Mexican American. And most of

<sup>101</sup> Hansen, *Rural Poverty and the Urban Crisis*, 201.

<sup>102</sup> “Nathan Study,” 63.

these families were the least likely to enjoy or participate in the high-tech defense industries that fueled the region's growth. Telles and other CODAF members were quick to point out that ethnic Mexicans tended to work as laborers or in service oriented jobs at much higher rates than their Anglo counterparts. This meant that only 5% of ethnic Mexicans worked in the professional or design-oriented jobs that many thought would be the salve for the regions under-industrialized economy.<sup>103</sup> The federally funded boom did not translate to success for the many Mexican Americans that lived within these cities. With the possible exception of El Paso, the greatest beneficiaries of the new wealth being generated in these areas were white professionals that relocated from other parts of the country.

Racial disparities caused Mexican Americans' low level of educational attainment within the three major urban counties of the borderlands. As the "Nathan Study" explained, the three military-industrial metropolises of the borderlands caused educational attainment figures to skew up in the borderlands. At times the figures indicated that the border region's population attended some college at a much higher rate than the national average. Nathan Associates explained that a "relatively high proportion of the population over 25 years old with some college education could be caused by a high rate of college attendance by high school graduates, *but this explanation seems unlikely.*"<sup>104</sup> High-tech centers tend to have more people who attended college, but it was probable that the high number of Anglos who resided in the region augmented this rate. Even more likely was the fact that most of these college-educated Anglos recently migrated to the region because they served in the military or worked in defense-related industries. Overall, ethnic Mexicans only had 4 years of formal education. Anglos, by contrast,

<sup>103</sup> "Nathan Study," 77.

<sup>104</sup> "Nathan Study," 169 (emphasis added).

had 11.5 years of schooling. High-rates of college attendance were possible only for the region's Anglo natives or recent Anglo emigrants. In general the borderlands school districts spent less per pupil than the national average. Education and social services according to the report, could have benefitted from "heavy inputs of funds, if only to bring the border areas up to the national average." This is because even if college-educated workers can be imported, the "lack of competent workers with a high school education . . . is a hindrance to development," since the overall labor force needed to be developed locally to have any meaningful consequences on productivity, efficiency, and cost.<sup>105</sup>

Even the "Nathan Study" expressed skepticism that more educational attainment could improve the economic metrics of the border region. Population along the border, according to the researchers, increased more steadily and more rapidly than industrial opportunities. Because of this, the Nathan Associates researchers suggested that many of the best opportunities for borderlands residents were in the interior cities of the U.S. Southwest. The report suggested that any educational and vocational training programs that were implemented be required to also share information about how to relocate. According to the researchers the chances of locating new factories outside of San Diego, Tucson, and El Paso were quite small. Any training programs that did not also provide help or information finding jobs outside of the border ran the risk of fomenting discontent and frustration. But the proposition that Mexican Americans or recent Mexican migrants could obtain work in cities like Phoenix or San Antonio remained unsubstantiated. Moreover, the researchers perhaps underestimated the effects that discrimination against Mexican Americans had on that population's unemployment rate. For example, the Nathan Associates suggested that

<sup>105</sup> "Nathan Study," 168-170.

Mexican Americans are as dexterous and trainable as any ethnic group in our country, but disadvantaged Mexican-Americans do not feel secure in penetrating communities in the interior of the United States where their talents could be used. They have a good attitude toward work when they feel that they are accepted. . . . the Mexicans Americans have fewer prejudices to overcome than most. <sup>106</sup>

This claim seemed more optimistic than empirical. It is difficult to ascertain if Mexican Americans experienced discrimination or were apprehensive about relocating to interior cities in Texas, California, Arizona, New Mexico, and beyond. But it may be useful to put this claim within a larger context.

It may be worthwhile to analyze this claim in conjunction with similar reasons the researchers gave for encouraging technical training and migration to larger cities. According to the Nathan Associates, the Mexican Americans in the border region were the “bulk of the unemployed and underemployed,” and encouraging outmigration would “take pressure off of poverty relief services,” since Mexican Americans were the primary clientele of those services. Embedded within this observation, though, is the inference that Anglos in the region did not suffer joblessness or poverty at the same rate as Mexican Americans. This could be because Anglos, on average, had much more education or because they were serving in the military or had relocated due to employment with a defense contractor.

Since Anglos did not suffer job losses at the same rate as Mexican Americans, it is clear that Mexican Americans encountered serious impediments to employment in the border region based on discrimination and bias. Even though CODAF did not explore the possibility of discrimination as a limiting factor for the success of ethnic Mexicans, data from the 1970 census supports this claim. The charts at the end of this chapter breaks down much of this data. While some counties recorded nearly equal percentages of both white and “Spanish” families living

<sup>106</sup> “Nathan Study,” 10.

under the poverty line in counties located in border states, this was not the case across much of the Rio Grande or much of the borderlands. In many instances, such as in San Diego and Pima County, ethnic Mexicans were twice as likely to be living under the poverty line than white families.

In the “Nathan Study”, researchers outlined some basic limitations in the region’s economic prospects. The report did not mince words. The region, according to the study, possessed a unique concentration of economic problems. First the region suffered from increased migration. The relative wealth of American cities caused Mexican border cities to swell with migrants from the interior of Mexico who hoped “to benefit financially from their new proximity to the United States.” And when this failed, these migrants often found themselves crossing over into the United States to seek jobs, but instead added to the jobless rolls of the border counties. And the region’s sparse environment exacerbated its demographic problems. The Nathan Associates possessed no affection for the region’s basin-and-range desert topography when they wrote that “this area is deficient in natural resources and the distance from major markets, except for the San Diego region, handicaps its ability to attract large-scale industry.” The remoteness and aridity that defined the environment proved to be dramatic impediments for the region’s economic development and its economic integration into the larger national and world economies. Coupled with these demographic, environmental, and geographic challenges was the glaring issue of Mexican American political, social, and economic inequality. The “Nathan Study” noted that

the largest ethnic group, the Mexican-American is underprivileged educationally and socially, and is seriously deficient in employable skills. Growing mechanization of agriculture has steadily reduced the agricultural jobs so important to the Mexican-Americans. High border unemployment and underemployment levels are not likely to be reduced to the U.S. average

especially if the region continues to have economic growth significantly below the national level.<sup>107</sup>

The Nathan Report focused on a wide set of environmental and economic conditions, but subsequent studies about the U.S.-Mexico borderlands instead highlighted and focused upon the role that undocumented immigration and temporary migratory workers played.

CODAF and Telles remained skeptical about claims that immigrants lowered wages and undermined working conditions, but other economists from the Department of Labor blamed migrants for reducing the standard of living along the U.S.-Mexico border. Researchers focused on the U.S.-Mexico border and rural poverty did not agree with the Nathan Report's assessment of the area's prospects for future economic growth. This viewpoint became so standardized that a seminal report and textbook on the economy of the U.S.-Mexico borderlands stated that "pressures resulting from migrating and commuting from Mexico continually tend to depress wages and job opportunities of Mexican Americans on the United States side of the border."<sup>108</sup> These rebuttals to the Nathan Report and CODAF began shortly after the study's publication. Rural economists homed in specifically on South Texas and its high numbers of migration. Niles Hansen, an economist at the University of Texas at Austin described how "the comparative position of the total Mexican American group in Texas will not change very rapidly because of the influx of immigrants from Mexico to the low wage jobs in the state."<sup>109</sup>

In another study, an immigration researcher named David North, took a similar tack and directly challenged CODAF on the matter. This study, called the *Border Crossers*, suggested that

<sup>107</sup> "Nathan Study," 10.

<sup>108</sup> Niles M. Hansen, *Rural Poverty and the Urban Crisis: A Strategy for Rural Development* (Bloomington: Indiana University Press, 1970), 219.

<sup>109</sup> Hansen, *Rural Poverty*, 201.

the researchers underestimated how temporary migrants, or border commuters, lowered wages. The study originated out of a controversy surrounding border commuters, who are Mexican nationals who are legally authorized to work in the United States but reside permanently in Mexico. Beginning in the early late 1950s, Texas labor unions pushed federal officials to end the practice of border commuting. In order to make a decision about the status of border commuters, immigration and labor officials held hearings and initiated studies to better understand the effects and border commuting. North received a grant to study the issue and produced this study based on first-hand interviews as well as exhaustive and through demographic research and surveys of secondary literature.<sup>110</sup>

*Border Crossers* contended that the approximately 100,000 border commuters undercut bargaining power and lowered wages because they were willing to work for lower wages and would also accept lower working conditions. The fact that many border commuters also worked in food processing, hotels, restaurants, and in private households supported the claim that it was labor pressure from Mexico and not mechanization and environmental constraints that were causing high unemployment in the borderlands. Even if CODAF did not subscribe to this argument, the stance would only grow more visible throughout time and castigate the borderlands as an impoverished region because of immigration and its proximity to low-cost labor in Mexico.<sup>111</sup>

Telles and CODAF dismissed the claim that immigration caused low wages, but also avoided the major issues of racism and discrimination by instead focusing on private investment as the primary solution to the region's woes. This was the heart of growth liberalism and the

<sup>110</sup> David S. North, *The Border Crosses: People Who Live in Mexico and Work in the United States* (Washington, DC: Transcentury Corporation, 1970), 30, 34, 46.

<sup>111</sup> North, *Border Crosses*, 19, 149.



Great Society: an expanding and growing economy eroded the differences between white Americans in the country's metropole and the rural inhabitants and people of color that lived in the "other America." With some strategic investments and an accompanying social vision, economic growth in the borderlands had the potential to eliminate many of the region's obstacles. And the vehicle for this investment, according to CODAF, would be the Binational Industrial Park.

*Border Solution: The Binational Industrial Park*

The Nathan Associates offered a cautious assessment of the binational industrial park proposal. The researchers stated that the Border Industrialization Program had benefited the U.S. side of the border tremendously. The augmentation of that program to include U.S.-based sites presented a "useful, but limited opportunity in border development." The researchers pointed to their ability to bring more work and investment capital to the border, but also cautioned that this might not necessarily improve the standard of living for many of the Mexican Americans in the region. But Telles and CODAF ignored these warnings and began to develop a proposal that sought to expand Mexico's Border Industrialization Program into the United States.

Ambassador Harry Turkel developed a proposal for binational industrial parks that drew their inspiration from factories built by the *Programa Nacional Fronterizo* in the 1940s and 1950s and the Mexican Border Industrialization Program, which began in 1964. The Border Industrialization Program (BIP) allowed U.S. companies to operate factories within twenty-miles of the boundary line.<sup>112</sup> These companies could import assembly items and components duty-free

<sup>112</sup> Easterling, *Extrastatecraft*, 27-32; Orenstein, "Frictionless Production," 36-61; and Erik Loomis, *Out of Sight: The Long and Disturbing Story of Corporations Outsourcing Catastrophe* (New York: New Press), 46-48.

and then export the finished products back to the United States or another foreign market without incurring any type of taxation. One major difference between BIP plants and Turkel's proposal was the unique geographic and political location of these plants. Turkel called for plants to be built on the border with both Mexican and American segments. The Mexican portion assembled the products, while the American side provided a home for management, engineering, and logistical expertise.<sup>113</sup>

Turkel touted binational industrial parks as a way to streamline, economize, and increase the level of trade between the two countries. Turkel argued that a cooperative effort between both countries could draw upon each country's comparative advantage while helping both countries modernize and industrialize their respective parts of the borderlands. Turkel told a group of Mexican businessmen "relatively inexpensive Mexican labor could be employed by U.S. subsidiaries located in the Mexican half of each park, manufacturing or assembling components, which could then be integrated into the final product at the parent company on the U.S. side."<sup>114</sup> Turkel hoped that this type of reasoning could sway American firms, many of which considered relocating their plants to Taiwan or other low-cost manufacturing cities. Unlike new plants located in the Pacific Rim, the close integration between these different manufacturing and assembly plants in Turkel's binational industrial park concept meant "the cost of the Mexican component would probably be less than similar products now manufactured in

<sup>113</sup> Robert M. Sayre to Terrance G. Leonhardy, 18 January 1967, Folder Foreign Trade FT-21 Border Trade Survey-Binational Parks 1966-1967, Entry P 2. Records Relating to Mexico, 1946-1975, Bureau of Inter-American Affairs/Off.of the Country Director for Mexico, RG 59, Department of State, National Archives and Records Administration, College Park, MD.

<sup>114</sup> Robert M. Sayre to Terrance G. Leonhardy, 18 January 1967, Folder Foreign Trade FT-21 Border Trade Survey-Binational Parks 1966-1967, Entry P 2. Records Relating to Mexico, 1946-1975, Bureau of Inter-American Affairs/Off.of the Country Director for Mexico, RG 59, Department of State, National Archives and Records Administration, College Park, MD.

the Far East when transportation costs are considered.”<sup>115</sup> According to Turkel, his proposal made products manufactured at these facilities cheaper to American consumers because the close proximity between the assembly plants in Mexico, finishing facilities along the U.S. border, and nearby markets in the U.S lowered the costs associated with transportation and logistics.

But while these proposals were beneficial for American companies, it did not necessarily bolster the prospects of the many Mexican Americans living in the region. Such a proposal reinforced patterns of development that benefitted Anglo emigrants in the military-industrial metropolises, but did little for Mexican Americans that lacked the education and training to take advantage of such opportunities. The Nathan Report also cautioned that even if this did produce jobs, they were not high-paying jobs. They pointed to the plants that recently opened in the lower Rio Grande River counties. Apparel factories that set up shop in these communities employed about 500 workers, the vast majority of whom happened to be women who worked for less than a “family wage.” Touted as an economic salve, it benefitted a handful of Anglo technicians, managers, and their families. But instead of quashing the idea, the “Nathan Study” buoyed hopes with potential success stories.

Telles and CODAF negated the Nathan Report’s criticism of binational industrial parks when they pointed to optimistic reports for the concept’s future economic growth. For example, the “Nathan Study” closed out its assessment of binational industrial parks by recounting how a vegetable-processing plant was going to be built somewhere near the border in Texas. The freezing and packaging happened in the United States and “a twin plant in Mexico is planned for

<sup>115</sup> Robert M. Sayre to Terrance G. Leonhardy, 18 January 1967, Folder Foreign Trade FT-21 Border Trade Survey-Binational Parks 1966-1967, Entry P 2. Records Relating to Mexico, 1946-1975, Bureau of Inter-American Affairs/Off.of the Country Director for Mexico, RG 59, Department of State, National Archives and Records Administration, College Park, MD.

the labor intensive work.” Local produce from the Texas fields would be “supplemented by produce shipped from Sonora, Glendale, Arizona, and Las Cruces, New Mexico” to keep the plant running year-round. This allowed the plant to avoid seasonal layoffs. The estimated \$2 million dollar payroll gave 400 people jobs at modest wages. Additional jobs from “trucking and other requirements” for the plant totaled another 200 well-paying jobs.<sup>116</sup> And while this one plant was unlikely to solve the border region’s persistent economic problems, the prospect of its success being replicated across the border proved to be a heady prospect for CODAF officials.

The optimism about binational industrial parks signaled some hallmarks of the postwar liberal creed of economic growth and its avoidance of environmental conditions and racial discrimination. The overall physical environment limited the possibility of the plan’s success. And the potential benefits were unlikely to accrue to the region’s Mexican American residents. These considerations, however, did not weigh on CODAF. Telles and his colleagues clung to the hope that the binational industrial park was the key to unlocking prosperity for the region.

At first glance, it seemed that many people shared Telles’s and CODAF’s enthusiasm for binational industrial parks. Charles Hillinger, in his brief feature on Telles, remarked upon how Telles seemed to be helping borderlands residents attract new industries. Telles recounted to Hillinger how “many business leaders and civic groups have talked to me about the need for industrial development of mutual interest to both nations.” Even though this predated the release of the “Nathan Study” and its recommendations, Telles was already singing the binational industrial park’s praises. He discussed with Hillinger how many local businesses and political leaders in border towns such as Los Ebanos, El Paso, and Del Rio, Texas, all “would like to see U.S. firms locate in American border towns and cities with production on the American side and

<sup>116</sup> “Nathan Study,” 228.

assembly work on the Mexican side.”<sup>117</sup> Even before the Nathan Report’s more dire predictions of the border region’s economic future, it seemed that Telles and CODAF had decided that the binational industrial park proposal was the panacea for the region’s sagging economic development.

In general, the popular press did not run with the story, but the outlets that did report on the Nathan Report echoed its dim hopes for the borderlands region’s economic future. The *San Francisco Chronicle* reported that the study outlined how “the limited natural resource base, the heavy emphasis on retail trade, the significant level of unemployment,” along with the rapidly growing population meant that it would be extremely difficult to raise the standard of living in the area without lots of direct government spending. The reporting, however, was not all doom and gloom. The *Chronicle* suggested that even if the likelihood of further industrialization seemed unlikely, the success of Mexico’s Border Industrialization Program could lead to increased rates of economic activity on the U.S. side of the border.<sup>118</sup> Much like the reporters at the *Chronicle*, Telles and the rest of CODAF thought that the BNIP could be an answer to the U.S. side’s economic problem. But both Telles and the general public underestimated how much political friction the binational industrial park proposal could cause.

Hillinger, the *Los Angeles Times* columnist, predicted that the binational industrial park would attract the ire of labor leaders. When speaking to Telles about the future of the program, he forced the ambassador to acknowledge how “organized labor has expressed concern about the border industries program.”<sup>119</sup> Though Telles spent much of his tour meeting with local leaders,

<sup>117</sup> Charles Hillinger, “Mexican Border Ambassador Has Rare Assignment,” *Los Angeles Times*, 15 May 1967.

<sup>118</sup> “Border Area Needs Jobs,” *San Francisco (CA) Chronicle*, 29 April 1969.

<sup>119</sup> Hillinger, “Mexican Border Ambassador.”

he heard inklings of labor's opposition to these capital relocation proposals. He may have apprehended labor's inherent distrust of the proposed initiative, but Telles and CODAF hung on to the proposal despite its dubious benefits. AFL-CIO locals along with the battle-hardened and politically experienced national leadership soon communicated the depth and magnitude of their grievances with Telles and his vision for the economic development of the borderlands region. But before we get to that story we must understand how the binational industrial park formed part of a larger vision for a postindustrial economy. It is to that story that we now turn.

Chapter 4: “Upgrading Trade: Production Sharing, Binational Industrial Parks, and the Growth of Maquilas across the Americas

In 1977 Peter Drucker introduced a new word into the lexicon of American business that would have important consequences for the way that multinational corporations opted to organize their supply chains. Drucker was a well-known management consultant and his *Concept of the Corporation* became the foundational work for the field of management studies.<sup>120</sup> His productivity as a scholar—he wrote over 30 books and several dozen more articles—coupled with his uncanny prescience in predicting such developments like the “knowledge worker” and the rise of Japan meant that “many an ear in the business forest stands up straight,” when his name is mentioned. And as a monthly columnist for the *Wall Street Journal*, his ideas were read widely and regularly by many businessmen and industrialists.

Readers who picked up the *Wall Street Journal* to read his column on March 15th discovered that the “newest world economic trend is ‘production sharing.’” Even if most people had not heard the term or were familiar with the process it described, anyone who had purchased a “hand-held calculator” was the beneficiary of this phenomenon. The handheld calculator’s semiconductors were made in the United States, but those electronic components were then shipped to a “developing country,” where it was assembled, and then shipped back to the United States, where it was marketed to consumers. It did this by breaking down the category between export and import and linking together the economies and workers of the “developed” and “developing” countries by sharing the overall production of a final commodity.<sup>121</sup>

<sup>120</sup> Jack Beatty, *The World According to Peter Drucker* (New York: Free Press, 1998) and Alan Kantow, “Why Read Peter Drucker?,” *Harvard Business Review* (November 2009).

<sup>121</sup> Peter F. Drucker, “The Rise of Production Sharing,” *Wall Street Journal*, 15 March 1977.

“Production-sharing,” according to Drucker, was an economic and political boon for the United States and the “developing world” because it generated trade and jobs. Closer political and trade connections resulted from “economic integration by stages of the productive process.” The production line’s extension into places like Mexico and Taiwan merged economies of the developed and developing world so that both experienced benefits. To Drucker, “production-sharing” promoted more than just simple commerce, it was exchange through production. By shipping expensive components to developing countries, it created new types of foreign exchange and jobs, and preserved capital that could be used to improve technology and create more economic wealth. By adopting these processes, corporations were “upgrading trade,” by ensuring that emerging and established markets had the money and jobs necessary to grow their GDPs. By “upgrading trade,” developed countries were freeing up financial, physical, and human capital for engineering and design work. In other words, it was the blueprint for the postindustrial economy that we know today.

By the time Drucker penned his article, though, different forms of production-sharing were already operating across the globe, but were particularly visible along the U.S.-Mexico border. Plants in Puerto Rico, Taiwan, and Mexico had developed different models of how to assemble American-made components into final salable consumer products. In particular, Mexican officials had begun the Border Industrialization Program in 1965. This allowed companies to import components into factories located near the boundary line without incurring any duties. The components could be assembled into final products and exported back to the country of origin without any penalties. American officials made the prospect especially lucrative to American companies by only assessing a fee on the value added by assembling the components, which was usually no more than 5% of the total value of the commodity. These assembly



factories became known as maquiladoras. By the time Drucker wrote his article in the mid-1970s, the BIP was already a well-established form of “production-sharing” with hundreds of maquiladoras and thousands of workers in cities like Tijuana, Baja California, Ciudad Juarez, Chihuahua, and Reynosa, Tamaulipas.<sup>122</sup>

This chapter seeks to excavate the logic behind “production-sharing” as it was applied to the early maquiladora program. In particular, it looks at how American officials were hoping to build American maquiladoras that employed skilled engineers and technicians as well as white-collar sales directors and other managerial staff. Planners envisioned that American maquiladoras would be built directly opposite and connected to Mexican maquiladoras. These transnational production complexes would be known as “binational industrial parks.” Great Society officials hoped that this scheme of “production-sharing” would lead to increased trade along the boundary line, but also create much-needed jobs in American border cities. Ultimately, this chapter argues that the early effort at “production-sharing” along the U.S.-Mexico border reveals how American officials and bureaucrats within the Democrats’ Great Society already envisioned a postindustrial, knowledge-based economy in the mid-1960s.

As a result, we can glean two important takeaways from this case study. First, the shift to a postindustrial economy was not a corollary to American affluence. Some historians have argued that an educated and affluent sector of the electorate pushed the Democratic Party to adopt economic and trade policies that favored highly-educated professionals.<sup>123</sup> In one longstanding

<sup>122</sup> Keller Easterling, *Extrastatecraft: The Power of Infrastructure Space* (New York: Verso, 2016), 27-32; Dara Orenstein, “Foreign Trade Zones and the Cultural Logic of Frictionless Production,” *Radical History Review*, no. 109 (2011):36-61; and Erik Loomis, *Out of Sight: The Long and Disturbing Story of Corporations Outsourcing Catastrophe* (New York: New Press), 46-48.

<sup>123</sup> Lily Geismer, *Don’t Blame Us: Suburban Liberals and the Transformation of the Democratic Party* (Princeton: Princeton University Press, 2014).

interpretation, Democrats in the 1970s and 1980s began to adopt economic plans that favored knowledge workers over unionized industrial workers in order to capture votes amongst educated workers in America's exploding suburbs. But this case study demonstrates that many leaders within the Democratic Party turned to postindustrial visions of the economy much earlier than previously thought in order to tackle persistent problems associated with poverty. Second, it also suggests that the particular location and context for the maquiladora matters as much as the unique spatial form that underlies its success. Other studies have examined how the "free-zone" was a unique place that allowed capital to surpass and elude the authority of the nation-state.<sup>124</sup> But zones were created by the state to serve specific and particular ends. They are products of the state's effort to corral and direct the forces of capital. Production-sharing, as it was envisioned and conceptualized for the U.S.-Mexico border was a response to the region's endemic poverty. The Mexican "free-zone" became a tool for the state to harness the forces of capitalism to eradicate poverty. By linking American cities and workers to Mexican maquiladoras and their "free-zones", American planners hoped to uplift the region's workers by developing their skills, increasing their salaries, and upgrading trade along the way.

### *The Origins of the Binational Industrial Park*

In April 1966 Lyndon Baines Johnson and Gustavo Diaz Ordaz agreed to develop a bilateral planning agency that would study the border's economic and social problems with the aim of determining what measures could be taken to improve the quality of life in the

<sup>124</sup> For more on the free-zone, see Dara Orenstein, *Out of Stock: The Warehouse in the History of Capitalism* (Chicago: University of Chicago Press, 2019) and Keller Easterling, *Extrastatecraft: The Power of Infrastructure Space* (London: Verso, 2014).

borderlands.<sup>125</sup> Both presidents identified the expansion of "legitimate border trade" as one of the primary ways to "benefit the region." As a result, Johnson told the American diplomats in the newly formed CODAF that he placed "a very high priority on finding ways to insure an expansion of trade on both sides of the border."<sup>126</sup>

To boost trade between the two countries, Ambassador Harry Turkel developed a proposal for binational industrial parks. Turkel drew his inspiration for these industrial parks from factories built by the Programa Nacional Fronterizo in the 1940s and 1950s and the Mexican Border Industrialization Program (BIP), which began in 1964. One major difference between BIP plants and Turkel's proposal was the unique geographic and political location of these plants. Turkel called for plants to be built on the border with both Mexican and American segments. The Mexican portion would assemble the products, while the American side provided a home for management, engineering, and logistical expertise.

#### *BNIPs and the Postindustrial Economy*

Turkel touted binational industrial parks (BNIP) as a way to streamline, economize, and increase the level of trade between the two countries. BNIPs allowed each country to draw upon each country's comparative advantage while helping both countries modernize and industrialize their respective parts of the borderlands. Turkel told a group of Mexican businessmen "relatively

<sup>125</sup> Dara Orenstein writes that this meeting included "formal talks" about the specific notion of the binational industrial park. Nothing in my records, though, suggest that this concept was specifically discussed by the two heads of state. Instead, it seems like a host of different ideas were bandied about at that the binational industrial park proposal emerged after this meeting. Orenstein, *Out of Stock*, 219. For more on the 1966 meeting, see Robert M. Sayre to Terrance G. Leonhardy, 18 January 1967, Folder Foreign Trade FT-21 Border Trade Survey-Binational Parks 1966-1967, Entry P 2. Records Relating to Mexico, 1946-1975, Bureau of Inter-American Affairs/Off. of the Country Director for Mexico, RG 59, Department of State, National Archives and Records Administration, College Park, MD.

<sup>126</sup> Julius L. Katz to Robert McNeill, Ioanes Hirschtritt, and Henry Shooshan, Folder Foreign Trade FT-21-Free Trade Zone Mex-US 1966-1967, Entry P 2: Records Relating to Mexico, 1946-1975, Bureau of Inter-American Affairs/Office of the Country Director for Mexico, RG 59, Department of State Records, National Archives and Records Administration, College Park, MD.

inexpensive Mexican labor could be employed by U.S. subsidiaries located in the Mexican half of each park, manufacturing or assembling components, which could then be integrated into the final product at the parent company on the U.S. side."<sup>127</sup> Turkel hoped that this type of reasoning could sway American firms, many of which considered relocating their plants to Taiwan or other low-cost manufacturing cities. Unlike new plants located in the Pacific Rim, the physical integration of the American and Mexican portions of BNIPs meant "the cost of the Mexican component would probably be less than similar products now manufactured in the Far East when transportation costs are considered."<sup>128</sup> Products manufactured at these facilities cheaper to American consumer because the close proximity between the assembly plants in Mexico, finishing facilities along the U.S. border, and nearby markets in the U.S lowered the transportation and logistics.

Turkel's proposal envisioned an American economy that depended far less on manual labor, but instead relied upon management and technical expertise and devised the binational industrial park to appeal to American middle managers. Turkel chose the medium-to-large sized cities of El Paso, TX, San Diego, CA, and Brownsville, TX, as the locations for the proposed binational industrial parks. He argued that moving American managers to one of these border cities would allow companies to retain their best mid-level administrators. Many managers and their families, he suggested, preferred living in an American city because they could avoid the

<sup>127</sup> Robert M. Sayre to Terrance G. Leonhardy, 18 January 1967, Folder Foreign Trade FT-21 Border Trade Survey-Binational Parks 1966-1967, Entry P 2. Records Relating to Mexico, 1946-1975, Bureau of Inter-American Affairs/Off.of the Country Director for Mexico, RG 59, Department of State, National Archives and Records Administration, College Park, MD.

<sup>128</sup> Robert M. Sayre to Terrance G. Leonhardy, 18 January 1967, Folder Foreign Trade FT-21 Border Trade Survey-Binational Parks 1966-1967, Entry P 2. Records Relating to Mexico, 1946-1975, Bureau of Inter-American Affairs/Off.of the Country Director for Mexico, RG 59, Department of State, National Archives and Records Administration, College Park, MD.

many adjustment problems that accompany moving to a foreign city. Workers would not have to learn a new language, nor would they have to understand and practice new cultural norms. Many of these cities would also contain the cultural amenities and educational resources that they expected and desired. If these companies decided to keep their management and technical staff near their headquarters in the Northeast or Midwest, these managers would save time and energy traveling to these border plants. A trip to Ciudad Juarez would be far less onerous than a trip to Taipei for a sales manager from Zenith's headquarters in Illinois.<sup>129</sup>

Turkel touted how his plan took into account the future of the American economy. Rather than leading to a full exportation of American jobs, Turkel proposed an augmentation of the labor force so that more technical and managerial jobs would be located along the U.S.-Mexico border. The plan hoped that many of the country's skilled manufacturing jobs would remain within the United State. In Turkel's vision for the future American economy, only managers, technicians, and low-skilled assembly jobs would relocate to new facilities along the U.S.-Mexico border. Midwestern and Northeastern workers retained their well-paid manufacturing jobs.<sup>130</sup>

Turkel emphasized that his plan hoped to preserve American manufacturing jobs. He noted in his basic description of the plant that "the operations would consist of twin plants in which the Mexican side would specialize in labor-intensive operations, such as assembly of

<sup>129</sup> Robert M. Sayre to Terrance G. Leonhardy, 18 January 1967, Folder Foreign Trade FT-21 Border Trade Survey-Binational Parks 1966-1967, Entry P 2. Records Relating to Mexico, 1946-1975, Bureau of Inter-American Affairs/Off.of the Country Director for Mexico, RG 59, Department of State, National Archives and Records Administration, College Park, MD.

<sup>130</sup> Robert M. Sayre to Terrance G. Leonhardy, 18 January 1967, Folder Foreign Trade FT-21 Border Trade Survey-Binational Parks 1966-1967, Entry P 2. Records Relating to Mexico, 1946-1975, Bureau of Inter-American Affairs/Off.of the Country Director for Mexico, RG 59, Department of State, National Archives and Records Administration, College Park, MD.

electronic equipment or sewing of clothing from parts produced in the U.S." The American side, according to Turkel would "specialize in the more technological operations, such as quality control, finishing, maintenance of machinery, etc." This arrangement lowered labor costs, but also provided an opportunity for American companies to develop new, more efficient and cost-effective assembly facilities. These savings did not lead to the elimination of manufacturing jobs, but instead allowed American firms to invest more money into higher-skill manufacturing jobs that paid American workers more. Turkel's optimistic estimate did concede, however, that these border assembly operations may lead to a reduction in the overall American force. This was true in textile factories, where "the U.S. Side would be very small, consisting of the President, an engineer, and the sales force." Turkel may have honestly thought that his proposal aligned with expectations of a future American economy, but the ambassador also anticipated that labor leaders would oppose his plan as a ploy for corporations to shed American workers. In order to avoid discussion of how his proposal posed problems for American labor unions, Turkel sought to focus on how his plan benefitted American consumers as well as American workers.

Turkel returned to how the primary benefit of his plan would be increased savings from lowered transportation and logistical costs. By concentrating these operations into a single space they could consolidate their shipping and freight together. Essentially, firms would be able to obtain discounted freight rates by working together to consolidate their shipping. American companies would also not need to worry about changing out drivers in tractor-trailers since Americans could not operate freight haulers in Mexico. American firms stood to gain quite a bit from Turkel's proposal, but the feasibility of acquiring the land needed for these types of

operations remained uncertain.<sup>131</sup> But the Sunbelt's history of land and tax giveaways to attract industry meant that it would not be that difficult to acquire any necessary land.

### *BNIPs and the Economic Development of the Sunbelt*

Local borderlands communities took up the Sunbelt practice of offering incentives to companies that considered investing in their cities. Initially, Turkel fretted over the likelihood of acquiring the land required for these plants, but once Turkel discussed his proposal with local business leaders in the borderlands, he discovered that many municipalities were quite eager to attract new businesses with tax and land giveaways. When he visited Nogales, local landowners offered him 150 acres for pennies-on-the-dollar because they thought that more commerce would raise the value of their other landholdings. In San Diego, Mayor Frank Curran stated that the city would donate land that it owned near the border. Curran also suggested that his counterpart in Tijuana was eager to hand over land near the border to create a binational industrial park. A Baja California developer named Don Rodolfo Nelson stated that he and his associates were ready to begin building such a park between Calexico and Mexicali. In Ciudad Juarez, Turkel encountered “a powerful and experienced group of Mexican industrialists” that wanted to “proceed with such a park.”<sup>132</sup> Turkel's initial apprehension about the availability of land evaporated once he traversed the borderlands and spoke to local industrialists. He would have

<sup>131</sup> Robert M. Sayre to Terrance G. Leonhardy, 18 January 1967, Folder Foreign Trade FT-21 Border Trade Survey-Binational Parks 1966-1967, Entry P 2. Records Relating to Mexico, 1946-1975, Bureau of Inter-American Affairs/Off. of the Country Director for Mexico, RG 59, Department of State, National Archives and Records Administration, College Park, MD.

<sup>132</sup> Robert M. Sayre to Terrance G. Leonhardy, 18 January 1967, Folder Foreign Trade FT-21 Border Trade Survey-Binational Parks 1966-1967, Entry P 2. Records Relating to Mexico, 1946-1975, Bureau of Inter-American Affairs/Off. of the Country Director for Mexico, RG 59, Department of State, National Archives and Records Administration, College Park, MD.

been hard-pressed, however, to discover a community in the emerging Sunbelt region that would not have provided these types of giveaways to a potential company.

American states and cities in the postwar era competed against one another to attract new companies with tax-giveaways and other policies that encouraged industrial investment. Economists and journalists who studied the mass migration of capital and people to the southern and western states in the postwar era depicted how local boosters competed for new investment amongst its municipal rivals as the “new” or “Second War Between the States.” Cities competed with one another to “build the best business climate.” This meant that cities not only needed to provide land, infrastructure, and cultural amenities for new companies, but also needed to commit to a policy agenda that pursued “low union density, less business taxation, and a free-market mindset.<sup>133</sup>” This “war,” pitted cities against one another, but in most instances people conjured a new regional competition between the hulking and smoky industrial cities of the Rustbelt and the low-slung, sprawling, and balmy metropolises of the U.S. West and U.S. South.<sup>134</sup>

Cities and states in the U.S. West and U.S. South held many advantages over the traditional industrial centers in the Upper Midwest and Northeast in the competition for industrial investment. An industrial boom during World War II brought new factories, industries, and migrants to Sunbelt cities, such as Los Angeles and Houston. The boom continued into the

133. Elizabeth Tandy Shermer, *Sunbelt Capitalism: Phoenix and the Transformation of American Politics* (Philadelphia, PA: University of Pennsylvania Press, 2014), 184.

134. Pundits and observers labeled this competition over industrial investment as a “war between the states,” in order to heighten the regional differences and political competition between a northern Rustbelt and a southern Sunbelt. But it is also important to note how cities within the Sunbelt oftentimes competed with one another to attract businesses. This caused many Sunbelt cities to continue to slash taxes and social services in order to keep pace with other competitive Sunbelt cities. For more on this see, Shermer, *Sunbelt Capitalism*, 184-224 and Andrew Needham, *Power Lines*, 55-90.



1950s and 1960s as spending on defense-related industries expanded. World War II defense plants continued to grow because of cost-plus guarantees and cheap surplus factory equipment and inventory. Most importantly, however, these cities benefitted from the smaller number of unionized workers. Newly industrialized states such as Arizona and Georgia benefitted from this internal migration of capital because they lacked the strong trade union cultures associated with cities that came of age during the height of industrialization. Many of these cities located alongside the border fit the pattern of Sunbelt industrialization. And as CODAF pushed to build new enterprises on the southern border and they encountered a political culture that placed economic growth and business-friendly policies front and center.

Municipal reforms allowed many Southwest cities to advance pro-business political agendas to attract new investment. Unlike some Rustbelt cities, most southwestern city governments did not depend upon a local “machine” to retain power. Revisions to city charters dismantled the commission style-governments still found in cities like Philadelphia, Boston, and Chicago. Instead these cities adopted a city council and city manager form of municipal government. These type of governments abolished the ward system in favor of at-large elections. At-large elections made it difficult for patronage networks to develop amongst unions and government employees. As a result, these reforms united professionals, business-people, and homeowners into a potent political class. Sunbelt boosters, municipal administrators, and citizens, such as Barry Goldwater, viewed so-called Chicago style patronage politics as the main reason cities could not reduce their tax bill for businesses and homeowners.<sup>135</sup>

<sup>135</sup> Amy Bridges, *Morning Glories: Municipal Reform in the Southwest* (Princeton, NJ: Princeton University Press, 1997) and Shermer, *Sunbelt Capitalism*, 116-146.

The political coalitions found in Sunbelt cities sapped labor unions' political strength. Weak labor unions and a minimal commitment to social services lessened the tax burdens for companies and homeowners. As one municipal booster put it, in the Southwest "businessmen govern." Government by merchants produced business and trade friendly political agendas that made many cities in the U.S. South and U.S. West hospitable places for investment. Turkel and CODAF advertised this business-friendly climate to prospective companies.<sup>136</sup>

Though CODAF's plan did not fit the Sunbelt paradigm exactly, their push for binational industrial parks closely resembled the pitch that many western and southern Chambers of Commerce made to prospective companies. Turkel advertised the looser labor standards and lesser wages that American companies would find in Mexico and in U.S. border cities. Turkel's plan enticed American middle managers by touting the low cost of living and high quality of life found in mid-sized cities along the U.S-Mexico border.<sup>137</sup> His pitch for more streamlined and less onerous import restrictions and policies also indicated a free-trade mindset that sought to increase commerce by lowering or removing regulations. CODAF was a hothouse for the Sunbelt strategy of using federal largesse and local giveaways to abet a political culture that valued industrial growth over the delivery of social services. And it is no surprise that CODAF displayed the Sunbelt booster spirit, since many of its most prominent officials wielded such tactics in their previous careers.

<sup>136</sup> Shermer, *Sunbelt Capitalism*.

<sup>137</sup> Robert M. Sayre to Terrance G. Leonhardy, 18 January 1967, Folder Foreign Trade FT-21 Border Trade Survey-Binational Parks 1966-1967, Entry P 2. Records Relating to Mexico, 1946-1975, Bureau of Inter-American Affairs/Off. of the Country Director for Mexico, RG 59, Department of State, National Archives and Records Administration, College Park, MD.

CODAF officials had ample experience in the Sunbelt strategies for attracting businesses. Raymond Telles, the first head of the American section of CODAF, served as the mayor of El Paso, Texas, a medium-sized Sunbelt city. As mayor, Telles engaged in many of the competitive practices that later journalists pinpointed as the key traits and characteristics of the “Sunbelt.” As mayor, Telles attracted new industry by building highways that razed neighborhoods. He also lobbied for money to fund the city’s military installations and defense contractors.<sup>138</sup> It is not a surprise then, that CODAF hewed to the development model that cities such as Atlanta, Phoenix, and Austin deployed to attract capital and new residents. CODAF recognized, however, that there were significant legal and political obstacles to implementing a Sunbelt plan for industrial development along the U.S-Mexico boundary line.

*The U.S.-Mexico Border and the Unimportance of the Free-Trade Zone*

In order for BNIPs to be successful, the United States needed to designate the American portion of the facilities as entities that were exempt from normal customs procedures; which raised some political and legal problems. The United States considered two options for this. The first was the creation of American free-trade zones across from the Mexican free-trade zones that maquilas operated in. The second way involved suspending the collection of tariffs on the total value of the assembled goods that entered the United States from Mexico. Ultimately, American planners opted for the second choice.<sup>139</sup>

138. Mario T. Garcia, *The Making of a Mexican: American Mayor: Raymond Telles of El Paso* (El Paso: Texas Western Press, 1999).

<sup>139</sup> Robert M. Sayre to Terrance G. Leonhardy, 18 January 1967, Folder Foreign Trade FT-21 Border Trade Survey-Binational Parks 1966-1967 and “Industrial and Employment Potential of the United States-Mexico Border by Robert R. Nathan Associates, December 1968, Folder E-5-1 and “Nathan Study,” both in

A suspension of tariffs gave companies flexibility in locating the “twins” for maquilas. Instead of being physically connected in spatial or physical terms, maquilas and their American BNIP twins would be joined through trade. Companies could then site their American plants in appropriate locations along the U.S.-border and did not need to build directly adjacent to American plants. This maneuver ultimately spelled the end for the binational industrial park proposal and allowed American companies to designate their BNIP twins as plants located in places like Phoenix, AZ, or Buffalo, NY. Ultimately, it meant that few benefits would accrue to local borderlands communities. But it also sheds light on how important the state is in developing free-trade policies. The state opted for a trade agreement adjustment over the creation of a free trade zone, which casts doubt on interpretations of the FTZ itself as one of the primary engines of neoliberal growth.

Earlier examples of foreign trade zones provided the basis for American FTZs. In 1934, Congress passed the Foreign Trade Zone Act after inspecting Hamburg’s free trade zone and similar areas in Copenhagen, Denmark. Originally, these FTZs did not apply to manufacturing and exempted the warehousing and shipping of goods. These FTZs were located in the country’s traditional port cities such as New York, New Orleans, San Francisco, and Seattle. These legal designations helped American ports cut down on the red tape associated with importing and exporting goods and made them more attractive shipping points between various countries.<sup>140</sup> During the postwar era though, boosters and planners sought to weld the free trade aspects of the commercial FTZ with manufacturing and assembly operations.

Entry P 2. Records Relating to Mexico, 1946-1975, Bureau of Inter-American Affairs/Off. of the Country Director for Mexico, RG 59, Department of State, National Archives and Records Administration, College Park, MD.

140. Easterling, *Extrastatecraft*, 27-32; Orenstein, "Frictionless Production," 36-61; and Orenstein, *Out of Stock*, 148-158.

Foreign-trade zones have a long history in trade and commerce, but became more sophisticated tools to foster trade in the postwar-era. During the postwar era, though, legislators transformed the idea by turning the FTZ from a space devoid of state control into an instrument for the state's economic purposes. After World War II, free trade zones became sites of manufacturing in order to attract capital to "underdeveloped" areas of the United States. In 1947, Puerto Rico established a ten-year tax holiday and offered firms readymade buildings for their manufacturing operations. CODAF drew upon the long legislative history of FTZs when Turkel drafted his initial plan. But Mexico's establishment of the Border Industrialization Program in 1965 proved to be a particular important example. The Border Industrialization Program (BIP) allowed U.S. companies to operate factories within a twenty-mile strip within the boundary line.<sup>141</sup> These companies could import assembly items and components duty-free and then export the finished products back to the United States or another foreign market without incurring any type of taxation. Turkel hoped to build upon and expand the BIP precedent by allowing U.S. companies similar exemptions along the U.S. side of the border.

Turkel's proposal, however, created some major difficulties for American manufacturers. Many Mexican maquilas were not located directly on the border, so any American FTZs would actually have to extend into Mexico. And Mexican maquilas that were located on the border may not have had land opposite them that was available for an American site. American companies would have to set up their firms exclusively within the three designated sites identified by Turkel, so those companies that already had Mexican operations would have to relocate to take

141. Easterling, *Extrastatecraft*, 27-32; Orenstein, "Frictionless Production," 36-61; and Erik Loomis, *Out of Sight: The Long and Disturbing Story of Corporations Outsourcing Catastrophe* (New York: New Press), 46-48.

advantage of the program. But the problems with the BNIPs also extended to the government's administration of those goods as well.

The creation of manufacturing FTZs along the U.S.-Mexico border posed a slew of new administrative problems for the regulation of commerce between the two countries. FTZs could upend the complex system of regulations that governed how goods and people could enter the country. Some officials opposed the FTZ itself because "a zone will create insurmountable administrative problems for Customs." In order to accommodate the new binational industrial parks, a host of new commercial grade customs checkpoints would have to be built 20 miles from the boundary line. Treasury officials would also need to devise a new system for evaluating the value of these commodities and what percentage of their components is American or foreign made in order to levy an impost. Customs officers would also need to track or identify the end-location of such shipments since items bound for Mexico and other foreign markets were exempt. In addition to these bureaucratic headaches, an FTZ would also raise larger diplomatic and legal issues.<sup>142</sup>

The three FTZs along the U.S.-Mexico border ran afoul of several constitutional and legal provisions. Hirschtritt, the Department of the Treasury's representative to CODAF informed his colleagues that he expressed doubts about the constitutionality of such a zone, "since the U.S. Constitution required the uniform application of tariff and duties across the entire country." But other members of CODAF countered that no rule barred the creation of such a zone and highlighted how "the office of the U.S. Special Trade Representative . . . took the

142. Julius L. Katz to Robert McNeill, Ioanes Hirschtritt, and Henry Shooshan, , Folder Foreign Trade FT-21-Free Trade Zone Mex-US 1966-1967, Entry P 2: Records Relating to Mexico, 1946-1975, Bureau of Inter-American Affairs/Office of the Country Director for Mexico, RG 59, Department of State Records, National Archives and Records Administration, College Park, MD.

position that free trade zone would require modification of U.S. Legislation.” For these reasons, officials decided that a modification of the U.S. Tariff schedule would be the best way to encourage American companies to “twin” their Mexican maquilas with operations in the United States.

Rule 807.3 and 806 of the U.S. Tariff Schedule allowed American companies to move components and final products across the border quite easily. For example, RCA assembled television sets in its Juarez plant. These sets required a number of different components to make them into usable products. RCA imported many of these items from their U.S. plants into Mexico in order to export a finished product back to consumer markets in the United States. An FTZ exempted all of these components as long as they were exported as parts of a new assemblage of components. So a cathode ray from RCA’s plant in Bloomington, Indiana, did not receive a tariff impost once it entered Mexico. It would also not receive a tariff impost once it re-entered the United States as part of a television receiver set. If it, however, continued into Mexico as its original component it would be assessed an import tax.<sup>i</sup> If it re-entered the United States as part of a finished product with more than 50% of its components being foreign-manufactured, it would be assessed an import quota upon its entrance into the United States. BNIPs could use this exemption of tariffs to move components, products, and staff across the border relatively easily.

Officials maintained that a suspension of these tariff and customs would be beneficial to the borderlands because of their remote location from most of their countries industrial and consumer markets. Julius Katz, a Department of Commerce official suggested that “the U.S.-Mexican border area already shows a huge degree of economic interdependence.” But he also recognized that some suppliers and employers avoided the region because of their remoteness

from established commercial, educational, and financial centers. Katz pointed out how the Mexican side of the border, in particular, was isolated from the rest of the country. Mexican workers, shoppers, businessmen, and engineers crossed the U.S. border regularly for their jobs, to buy clothes, and to network with investors and suppliers. Katz also reminded his colleagues that almost 43,000 Mexican nationals commuted daily to work. Many of these workers were union members and spent large parts of their salaries on goods that were only available in the United States. Customs officials confirmed the Mexican dependence on U.S. goods when they reported that they routinely intercepted Mexican smugglers transporting U.S. products into Mexico. All of these facts, according to Katz, suggested that BNIPs would help strengthen a natural economic relationship.<sup>143</sup>

#### *BNIPs and "Upgrading Trade" across the Hemisphere*

Strengthening this economic relationship, according to Katz, would expand the economies on both sides of the border. This would lead to expanding GDPS on both sides of the border. Katz intoned that abolishing import duties in the borderlands would "very likely increase sales" of consumer goods "by allowing Mexicans to obtain items at lower prices, [and] increase their real income." Increased sales also had a large number of ancillary benefits because more disposable income and purchasing power would "lead to greater investment and employment in the whole region." But Katz carefully outlined how both countries benefitted from this increased economic activity. He adamantly affirmed that "the economic development of the region would

143. Julius L. Katz to Robert McNeill, Ioanes Hirschstritt, and Henry Shooshan, [date?], Folder Foreign Trade FT-21-Free Trade Zone Mex-US 1966-1967, Entry P 2: Records Relating to Mexico, 1946-1975, Bureau of Inter-American Affairs/Office of the Country Director for Mexico, RG 59, Department of State Records, National Archives and Records Administration, College Park, MD.



almost certainly benefit the United States in the long run," because it would lead to "an increase in incomes for both Mexicans and Americans." Increased income in both Mexican and American households mean that the Mexican shopper "will spend more of the additional income on the U.S. side, than the U.S. family will spend on the Mexican side." This led to an advantageous relationship for both parties because "Mexicans gained higher purchasing power and the U.S. gains additional sales."<sup>144</sup>

As a result, Katz persuaded many other CODAF members that the natural trading and financial partners for many people located in the U.S.-Mexico borderlands were not the traditional financial or political centers of Washington DC, or Mexico City. Instead, Katz contended that borderlanders would find their most beneficial commercial and political relationships with their colleagues and friends on the opposite side of the border. These types of commercial relationships, he said, would provide immediate benefits to workers, consumers, merchants, and residents of the borderlands. FTZs, however, would not just benefit local borderlanders, but would also lead to a slew of business opportunities for American firms in both the borderlands as well as the industrial heartland.<sup>145</sup>

CODAF wanted to sell their vision for their borderlands as an avenue to expand trade and wealth across the hemisphere. Katz suggested that they should not deny that the balance of trade would favor Mexico, but instead emphasize how the "FTZ would expand local markets and give

144. Julius L. Katz to Robert McNeill, Ioanes Hirschstritt, and Henry Shooshan, [date?], Folder Foreign Trade FT-21-Free Trade Zone Mex-US 1966-1967, Entry P 2: Records Relating to Mexico, 1946-1975, Bureau of Inter-American Affairs/Office of the Country Director for Mexico, RG 59, Department of State Records, National Archives and Records Administration, College Park, MD.

<sup>145</sup> Julius L. Katz to Robert McNeill, Ioanes Hirschstritt, and Henry Shooshan, [date?], Folder Foreign Trade FT-21-Free Trade Zone Mex-US 1966-1967, Entry P 2: Records Relating to Mexico, 1946-1975, Bureau of Inter-American Affairs/Office of the Country Director for Mexico, RG 59, Department of State Records, National Archives and Records Administration, College Park, MD.

wider scope for economic specialization." Katz also reassured his colleagues that Mexico's advantage would only extend to consumer goods. The volume of trade that America may lose to Mexico would be offset, Katz argued, by America's export of heavy machinery. Mexico's new plants would need the manufacturing equipment necessary to assemble semi-finished products. But Katz predicted that this would lead to additional investment in Mexican factories across the country. This he suggested, was the future of American manufacturing. Highly skilled engineers and technicians designed and built the advanced equipment that would allow other countries to produce the low-end goods.<sup>146</sup>

Both the Mexican and U.S. governments played an active role in creating and facilitating the growth of the maquiladoras (free-trade zones). And the U.S. stated intervened further to make sure that American companies could expand their operations to include more technical services on the U.S. side of the border by creating Tariff Rules 806.3 and 807. In this regard, it looked like both Mexico and the United States were trying to "upgrade trade" by implementing a form of "production-sharing." By elongating the assembly line, jobs would be created in Mexico and preserved in the United States. And these savings would allow companies in both the United States and Mexico to invest in both workers and in future production. And these investments would spur more growth throughout the hemisphere. This was less of a conflict and more of a partnership between the state and capital.

U.S. officials thought that BNIPs had the potential to spur economic growth across the Americas. The development of Mexico's manufacturing capacity would lead to the development

146. Julius L. Katz to Robert McNeill, Ioanes Hirschstritt, and Henry Shooshan, [date?], Folder Foreign Trade FT-21-Free Trade Zone Mex-US 1966-1967, Entry P 2: Records Relating to Mexico, 1946-1975, Bureau of Inter-American Affairs/Office of the Country Director for Mexico, RG 59, Department of State Records, National Archives and Records Administration, College Park, MD.

of new consumer markets across Latin America. People across countries in Central and South America would buy commodities and increase demand for consumer goods. Industrialists would understand these new consumer preferences as a signal to invest and build a homegrown manufacturing base and American companies would sell these new companies the expensive and advanced equipment necessary to build these new products. Later on, these workers and consumers would not only demand the goods built in their own countries, but also seek to purchase high-end consumer goods from the United States. The world economy grew dramatically as a result of this proposal. Initially, the United States lost some trade and jobs, but in the long run, America retained its comparative advantage and benefitted by serving as the primary supplier of heavy industrial equipment as well as high-end consumer goods.<sup>147</sup> This vision of expansive free trade circulated amongst liberals beginning in the 1930s, but such a vision encountered many opponents at home.<sup>148</sup> The conflict between “production-sharing” advocates in government and business and labor unions over the expansion of maquiladoras will be the story in our next chapter.

147. Julius L. Katz to Robert McNeill, Ioanes Hirschtritt, and Henry Shooshan, Folder Foreign Trade FT-21-Free Trade Zone Mex-US 1966-1967, Entry P 2: Records Relating to Mexico, 1946-1975, Bureau of Inter-American Affairs/Office of the Country Director for Mexico, RG 59, Department of State Records, National Archives and Records Administration, College Park, MD.

148. Thomas W. Zeiler, *Free Trade, Free World: Advent of GATT* (New York City: Columbia University Press, 1999).

Chapter 5: “A Kind of Internal Lobby . . . for the Mexican Border Industrialization Program”:  
The AFL-CIO, “Runaway Plants,” and the Demise of CODAF

The Texas AFL-CIO was one of the earliest and most consistent opponents to CODAF’s proposal to industrialize the U.S.-Mexico border. In 1969, a Texas AFL-CIO organizer named David Lopez described how a “new plan” that was “supported by the governments of both countries [the United States and Mexico]” planned on setting up a “zone 12.5 miles deep” to offer America companies “tariff concessions . . . . and labor at sweat shop rates.”<sup>149</sup>

Lopez argued that these types of schemes had long deprived borderlands workers of well-paid jobs, but now this plan would soon threaten the heart of America’s industrial core. The new “twin-plant concept” was created because the Texas AFL-CIO had thwarted plans to allow Mexican workers to cross into the United States to work in factories. “They-figured they might not be able to keep bringing in cheap labor from Mexico,” Lopez told AFL-CIO members across the country, “so they are taking the jobs out of the country to the cheap labor in Mexico. Lopez warned that the “twin-plant” had the potential to create a swarm of “runway plants” that could sap jobs and prosperity from many American factories. What started as a threat to borderlands workers threatened to engulf the entire American labor movement. The Texas AFL-CIO’s success in drumming up opposition to CODAF and its push to expand the maquiladora system to American border cities resulted in the eventual defeat of the agency. This chapter narrates the AFL-CIO’s opposition to the binational industrial park plan. Ultimately, this chapter argues that

<sup>149</sup>David T. Lopez, “Low-Wage Lures South of the Border,” *The American Federationist* (1969), 1-7.

CODAF and its economic development plan skewed and remade American political alliances during the 1960s and 1970s.<sup>150</sup>

This case study complicates several conclusions about labor politics in the late 1960s and early 1970s. First, many scholars have suggested that a cultural backlash fueled Nixon's realignment of the electorate.<sup>151</sup> At the center of another school of interpretation lay a coterie of well-organized and funded group of business activists, who helped fuel a cultural and political backlash against Democrats and welfare state that they championed.<sup>152</sup> And another set of scholars are re-examining the way that electoral politics forced liberals to inadvertently and sometimes, knowingly, transform the Democratic Party's bread and butter union policies into a postindustrial vision of the economy.<sup>153</sup> Judith Stein argues that it was not just politics that drove these transformations in the party. Instead, the realignment of the 1970s cannot just be understood in terms of cultural or racial backlash or the mobilization of the business community, but must also take into account the failure of the Democratic Party and Keynesian liberalism to

<sup>150</sup> David T. Lopez, "Low-Wage Lures South of the Border," *The American Federationist* (1969), 1-7.

<sup>151</sup> Jefferson Cowie, *Stayin' Alive: The 1970s and the Last Days of the Working Class* (New York: New Press, 2012) and Bruce Schulman, *The Seventies: The Great Shift in American Culture, Society, and Politics* (De Capo Press, 2002); and Robert O. Self, *All in the Family: The Realignment of American Democracy since the 1960s* (New York: Hill and Wang, 2012).

<sup>152</sup> For more on America's latent political conservatism, see Darren Dochuk, *From Bible Belt to Sunbelt: Plain-Folk Religion, Grassroots Politics, and Evangelical Conservatism* (New York: W. W. Norton, 2012) and Bethany Moreton, *To Serve God and Wal-Mart* (Cambridge, MA: Harvard University Press, 2010); Lisa McGirr, *Suburban Warriors: The Origins of the New American Right* (Princeton: Princeton University Press, 2015). For works about the business and their opposition to the liberal order, see Kim Phillips-Fein, *Invisible Hands: The Businessmen's Crusade against the New Deal* (New York: W. W. Norton, 2010); Benjamin Waterhouse, *Lobbying America: The Politics of Business of Nixon to NAFTA* (Princeton: Princeton University Press, 2015); and Jefferson Cowie, *Capital Moves: RCA's Seventy-Year Quest for Cheap Labor* (New York: Basic Books, 2001).

<sup>153</sup> Lily Geismer, *Don't Blame Us: Suburban Liberals and the Transformation of the Democratic Party* (Princeton: Princeton University Press, 2017) and Jefferson Cowie, *The Great Exception: The New Deal and the Limits of American Politics* (Princeton, NJ: Princeton University Press, 2016).

meet the decade's severe economic challenges.<sup>154</sup> Like Stein, I suggest that larger economic forces played an important role in the Democratic vision for a postindustrial political economy. But unlike Stein I also suggest that Democrats actively pursued a postindustrial vision of the economy because of these tectonic shifts of the economy and the persistence of poverty along the U.S.-Mexico border. The reshuffling of CODAF and its ultimate demise represented an alternative path to a postindustrial America and also foreshadowed the near future of American economic and political history.

In fact, the AFL-CIO targeted CODAF because its binational industrial park plan envisioned a postindustrial knowledge economy that was heavily dependent upon free trade. The border and its possibilities for both poverty abatement and capital flight are the most salient and significant contributions to the aforementioned literature. Previous accounts have detailed the rancorous politics and global economic transformations, but this story centers the border and how the promises and perils associated with its industrialization troubled national political coalitions.

Labor and their bedfellows unknowingly defeated one of their most potent allies on the issue of industrialization when they eliminated CODAF. This chapter builds on previous entries in this dissertation by narrating how the collective vision of a unified environmental and economic borderlands region withered after the election of 1968. Chapters 1 and 2 detailed the region's environmental problems and how officials sought to build regional plans that ameliorated these environmental conditions. Chapter 3 analyzed how government officials hoped the binational industrial park plan would uplift the border economic and present new

<sup>154</sup> Judith Stein, *Pivotal Decade: How the United States Traded Factories for Finance in the Seventies* (New Haven: Yale University Press, 2011) and Niall Ferguson et al., *The Shock of the Global: The 1970s in Perspective* (Cambridge, MA: Belknap Press of Harvard University, 2011).

opportunities for domestic and international investment. Chapter 4 explained how maquilas were part of a hemispheric vision for a postindustrial economy. This chapter brings all of these previous threads together and explains how the government's handling of the border and its drive to improve the standard of living in that region stood in perceived tension with the well-being of the industrial Midwest and Northeast.

This chapter will examine the debate over binational industrial parks in three parts. The first section will examine how CODAF and Johnson Administration officials attempted to distinguish CODAF's industrialization plans from earlier corporate plans to relocate manufacturing in order to avoid the unionization of their workforces. The second section will turn to Nixon and how he hoped to use CODAF's demise to win support from his labor base. The last section will look at how the AFL-CIO used Nixon's ambitions to capture votes from the labor movement to kill the agency in the appropriation process. But first, we must learn how misunderstanding and confusion laid the groundwork for this heated controversy between labor and CODAF.



Illustration 3: President Johnson concludes a meeting with CODAF officials about agency's plans for housing, transportation, emergency planning, cultural affairs, environmental protection, public health, and economic development. 2 February 1968. Accession # A-5552-18. Courtesy of Lyndon Baines Johnson Presidential Library and Museum, Austin, TX.

*BNIPs, Runaway Shops, and the Postindustrial Economy*

Even though CODAF eagerly began planning to build binational industrial parks, they were aware that the commission needed to be careful in how it communicated its goals and ideas to the American public. Turkel and his colleagues identified the labor movement as the primary opponent of any border industrialization plans. Turkel and his colleagues stated that

“the opposition to this proposal in the U.S. should not be underestimated .... any increase in employment on the Mexican side might be viewed as an export of U.S. Jobs, and U.S. Labor unions may oppose the concept.”<sup>155</sup>

155. Robert M. Sayre to Terrance G. Leonhardy, 18 January 1967, Folder Foreign Trade FT-21 Border Trade Survey-Binational Parks 1966-1967, Entry P 2. Records Relating to Mexico, 1946-1975, Bureau of



But, the diplomatic and economic benefits of the border industrialization program seemed to outweigh the risk of labor's political opposition.

R. Gardner Ainsworth, the U.S. Embassy's advisor on economic affairs wanted to proceed quickly with a study and plans to begin building binational industrial parks. But he again noted, however, that such a study might raise the hackles of the AFL-CIO. Pierson cautioned that “the strong and growing opposition of our labor unions to ‘runaway industries’ makes it unwise for our Government to take up an initiative which might appear to be supporting the ‘runaways.’”<sup>156</sup> Gardner considered the study to be a very volatile issue, but also identified ways to defuse opposition to the initiative. He suggested that the study could be limited and vague in order to avoid specific political questions or concerns.<sup>157</sup>

The planned study would also prove to be CODAF's most important resource in staving off the AFL-CIO's challenge. The report would allow CODAF to “develop the arguments pro and con, which could be used in our efforts to deal with the antagonism of the AFL-CIO.”<sup>158</sup> In order to develop some of the pro arguments, the report would need to be “broadened considerably to include other aspects of industrialization on both sides of the border.” The expanded set of factors the study needed to address included the human and social effects of

Inter-American Affairs/Off.of the Country Director for Mexico, RG 59, Department of State, National Archives and Records Administration, College Park, MD.

156. R. Gardner Ainsworth to Herman L. Meyers, 27 October 1967, Foreign Trade FT-21 Border Trade Survey-Binational Industrial Parks 1966-1967, Entry P 2. Records Relating to Mexico, 1946-1975, Bureau of Inter-American Affairs/Off.of the Country Director for Mexico, RG 59, Department of State, National Archives and Records Administration, College Park, MD.

157. R. Gardner Ainsworth to Herman L. Meyers, 27 October 1967, Foreign Trade FT-21 Border Trade Survey-Binational Industrial Parks 1966-1967, Entry P 2. Records Relating to Mexico, 1946-1975, Bureau of Inter-American Affairs/Off.of the Country Director for Mexico, RG 59, Department of State, National Archives and Records Administration, College Park, MD.

158. R. Gardner Ainsworth to Herman L. Meyers, 27 October 1967, Foreign Trade FT-21 Border Trade Survey-Binational Industrial Parks 1966-1967, Entry P 2. Records Relating to Mexico, 1946-1975, Bureau of Inter-American Affairs/Off.of the Country Director for Mexico, RG 59, Department of State, National Archives and Records Administration, College Park, MD.

development. In that way, CODAF officials hoped to perhaps skirt the issue of “runaway plants” by nesting the issue in a larger constellation of issues such as housing, public health and welfare, education, sports, infrastructure, and tourism. By taking the issue of border industrialization out of the scope of labor and industrialization and instead packaging it as a “Great Society” initiative CODAF hoped to elide discussion about how companies may use this proposal to offshore American jobs.

Ainsworth and his colleagues hoped to amplify their obfuscation of the issue by adopting strategies to circumvent the AFL-CIO opposition. In order to weaken labor's opposition to the position, Ainsworth and his colleagues considered several proposals. First, these officials floated the idea that they could pressure Congress to change the Tariff Act so that an item that is made with 50% American components would be subject to a tariff when imported to the United States. CODAF officials considered this move to be bad economic and diplomatic policy. This revision could upset Mexico. It would also damage the sales of American electronics since Mexican firms would demand less American components in their assembly plants. The potential damage to American industry had been proven by the example of American cotton textiles. Since cotton products had been subject to the revised tariff policy, the overall trade of goods with American components decreased.

This logic is telling because it suggests that CODAF already considered the relocation of manufacturing operations to be a natural and inevitable process. By the late 1960s, a Democratic Administration had already sowed the seeds for industrial and jobs policies that prioritized free-trade and private development. The much ballyhooed “Watergate babies” and “Atari Democrats” were simply continuing a process that had commenced a decade earlier.

CODAF opted to willfully misunderstand and misrepresent their stance on “runaway plants” in order to defuse labor's opposition to their proposals. Companies that moved their operations—sometimes by placing machinery on flatbeds in the middle of the night—to cities or states that had laws that restricted labor organizing labeled the new non-unionized plants “runaway shops” beginning in the 1930s. The term picked up steam in the late 1950s when textile, shoes, and apparel industries left New England and the Midwest for the South or other parts of the Sunbelt.<sup>159</sup>

During the 1960s, however, the meaning of a “runaway plant” was changing. When the Texas AFL-CIO deployed the term to criticize CODAF and the Border Industrialization Program, labor leaders referred to American companies investing money in places outside of the United States. By the end of the 1960s, “runaway shop” had become synonymous with the broader project of “capital flight.” These were not necessarily plants that duplicated operations in the United States, CODAF maintained, but new assembly operations that had not existed in the United States. Maquiladoras and their “American twins” were the products of new investment that would expand trade opportunities and expand job growth. CODAF sneakily sought to avoid any discussions or debates about changing international and domestic economies by punting on the issue of “run-away plants.”

Officials at CODAF also sought to exploit the ambiguity of the term's changing definition for their political advantage. Political advisors to the White House as well as CODAF officials recognized that there was an established definition of a runaway plant. DeVier Pierson, special advisor to the White House explained that the AFL-CIO's “idea of ‘runaways’ includes, inter

<sup>159</sup> Barry Bluestone and Bennett Harrison, *The Deindustrialization of America: Plant Closings, Community Abandonment, and the Dismantling of Basic Industry* (New York: Basic, 1982), 7-8.

alia, plants which may eventually close in the United States after subsidiaries abroad have taken over former domestic operations.” But he also acknowledged that the AFL-CIO’s growing opposition to the CODAF program revealed an evolving, more encompassing definition of the term. Pierson elaborated upon the labor movement’s apprehension about what many people would later call capital flight. According to Pierson, “what the AFL-CIO really appears to be against . . . is U.S.-owned plants in the Mexican border area, by whatever name they may be called.” Most of these plants, Pierson continued were “not ‘runaways’ by any reasonable definition of the word,”<sup>160</sup> since they were new assembly plants that performed new functions and did not replace already-established factories in the United States.<sup>161</sup> The key to this discussion, however, was not that these plants did not meet the older definition of the “runaway” plant, but that they may have met the qualifications of whatever the AFL-CIO currently defined as a “runaway shop.” The ambiguity in the term’s changing definition opened up a space for CODAF to assert that it was not undertaking a program that injured the American worker.

But, in order for CODAF/US to escape the responsibility of defining the term “run-away plant” to labor leaders, the Mexican government needed to be the one to set the parameters of the debate. Pierson strategized that a “unilateral [statement] by the Mexicans, would deal only with what the AFL/CIO *says* it is against, not what it is really against.” On 29 March 1968, CODAF officials requested Mexican officials to produce a public statement to “reassure the AFL-CIO that this is not a ‘run-away plant,’” in the 1930s sense. The value of a Mexican statement

160. W. DeVier Pierson to Anthony M. Solomon (emphasis in original), Folder INCO-10 Border Industries Res. & Devel. General Mar-Apr 1968, Entry P 2. Records Relating to Mexico, 1946-1975, Bureau of Inter-American Affairs/Off. of the Country Director for Mexico, RG 59, Department of State, National Archives and Records Administration, College Park, MD.

161 The veracity of this claim is subject to debate and difficult to evaluate. Many of the early plants located along the border, such as RCA’s plant in Ciudad Juarez did exactly this.

according to Pierson, “could be quite significant,” because “it would show an intention on the part of the Mexicans to cooperate with us in meeting the problem.” In order to cement his strategy, Pierson reiterated the importance of a Mexican unilateral statement: “If a joint statement were issued, we would be accountable to the AFL/CIO both for the language and for interpretation of the underlying thought, such as a definition of a “runaway” plant. A unilateral Mexican statement (along lines suggested by us) would largely avoid such difficulties.” A Mexican public statement allowed CODAF/US and the administration to plead ignorance on how the program may affect the continued evolution of American manufacturing.<sup>162</sup>

Though CODAF/US asserted that such an operation would not cause American jobs to relocate, it concealed a perspective that troubled many labor leaders. American labor was moving toward a much more far-reaching opposition to the relocation of any American capital away from United States. By shifting the burden to the Mexican government, CODAF/US purposefully avoided engaging in a debate over the possibility of an American postindustrial economy that relied heavily upon “production-sharing.” This proved to be a fatal political miscalculation for CODAF/US, but a political boon for a presidential candidate that sought to use labor’s discontent to fuel his improbable political comeback.

#### *Labor Opposition to CODAF*

The Texas federation of the AFL-CIO proved to be CODAF's most intractable critic. AFL-CIO locals along the U.S-Mexico border first protested border industrialization in May

<sup>162</sup> W. DeVier Pierson to Anthony M. Solomon (emphasis in original), Folder INCO-10 Border Industries Res. & Devel. General Mar-Apr 1968, Entry P 2. Records Relating to Mexico, 1946-1975, Bureau of Inter-American Affairs/Off.of the Country Director for Mexico, RG 59, Department of State, National Archives and Records Administration, College Park, MD.

1967.<sup>163</sup> At that time, Mexico's BIP program hosted a seminar and workshop for American companies that were curious about the benefits of moving their operations to Mexico. This seminar did not draw explicitly upon Turkel's proposal, but local labor leaders conflated all border industrialization proposals as programs designed to weaken the labor movement. The way that labor locals conceptually fused industrialization plans and organizations together made it difficult for them to cooperate with CODAF and its plans. Though Telles did not originally develop the Binational Industrial Park plan, the agency's willingness to consider the proposal along with its unique status as a special commission caused the Texas AFL-CIO to see the agency as an opponent.

At first, many people in the Texas AFL-CIO were confused about the powers and capabilities of CODAF and this confusion motivated them to treat Telles and his work warily. Early in 1967, international labor representatives from Brownsville, Texas, spoke with Stanley Ruttenberg about how a seafood-processing plant based out of Harlingen, Texas, had recently opened a shrimp-processing plant across the border in Matamoros. Alberti Seafoods caught shrimp off the coast of Texas, but then transported them to Matamoros for processing and then shipped them back to the U.S. under what borderlands labor officials understood to be "an extremely low tariff, if any."<sup>164</sup> Shapiro then stated that it was difficult for him to imagine how "it should be the policy of our Government to provide incentives, tax and tariff concessions to

163 "Texas Labor Uneasy Over Mexico Plan," and Roy Evans to Lyndon B. Johnson, 23 May 1966, folder 29, Texas (1956-1967), box 21, Office of the President, George Meany Files, 1965-1980, Meany Labor Archives, University of Maryland, College Park.

164 Harold R. Shapiro to Stanley R. Ruttenberg, [n.d.], Folder 16-6 Organizations AFL/CIO, Box, 13, Admin 16-2 Publications to Admin 16-6 Organizations-AFL/CIO, United States-Mexico Border Commission, General Correspondence, 1966-1969, Record Group 43: Records of International Conferences, Commissions, and Expositions, National Archives and Records Administration, College Park, MD.

American industry so that their profits may be increased at the expense of jobs for American workers.”<sup>165</sup> The Texas AFL-CIO seemed unsure who administered or provided the incentives and tax breaks that encouraged American companies to relocate to plants in Mexico. At first, they criticized Ruttenberg for jeopardizing the jobs of 200 Americans by supporting a program that led American jobs offshore. But Shapiro ended his appeal by attempting to enlist Ruttenberg in his fight against these plants. Unsure of CODAF’s stance, position, and administrative capability, Texas labor leaders approached CODAF as both a cautious ally and a reluctant foe. Even with the confusion, the Texas AFL-CIO expected CODAF officials to oppose the Border Industrialization Program more forcefully.<sup>166</sup>

The Texas AFL-CIO did not trust CODAF because Telles and his colleagues failed to directly challenge the Border Industrialization Program. Many AFL-CIO locals developed a negative opinion of CODAF during a series of community meetings about potential programs and initiatives in the borderlands. Telles and his fellow commissioners visited Brownsville, Texas, in the early fall of 1968. These community meetings covered 11 proposals that ranged from economic development to community outreach. CODAF floated the idea of vocational education programs and community centers in McAllen, Texas. They also suggested improvements to Brownsville’s shipyard and fishing harbor. Other commissioners recommended

165 Harold R. Shapiro to Stanley R. Ruttenberg, [n.d.], Folder 16-6 Organizations AFL/CIO, Box, 13, Admin 16-2 Publications to Admin 16-6 Organizations-AFL/CIO, United States-Mexico Border Commission, General Correspondence, 1966-1969, Record Group 43: Records of International Conferences, Commissions, and Expositions, National Archives and Records Administration, College Park, MD.

166 Harold R. Shapiro to Stanley R. Ruttenberg, [n.d.], Folder 16-6 Organizations AFL/CIO, Box, 13, Admin 16-2 Publications to Admin 16-6 Organizations-AFL/CIO, United States-Mexico Border Commission, General Correspondence, 1966-1969, Record Group 43: Records of International Conferences, Commissions, and Expositions, National Archives and Records Administration, College Park, MD.

that these communities pursue pollution studies for Cameron and Hidalgo counties. But Telles's willingness to consider the binational industrial park proposal alarmed many of the Texas AFL-CIO members who attended these meetings.

CODAF's willingness to explore the binational industrial park proposal stifled any hope of cooperation between the commission and the Texas federation of the AFL-CIO. At CODAF's meeting in Brownsville, TX, Telles suggested that Rio Grande communities wanted to pursue the development of a binational industrial park in McAllen, Texas. This proposal drew heavily from Turkel's initial plan from two years earlier and incurred the wrath of labor that he had predicted. Local newspapers discussed how these industrial parks "would extend to both sides of the Rio Grande" and as a result would employ both "Mexican and U.S. capital and labor indiscriminately." Local labor leaders criticized BNIPs because the parks would be "in effect, 'free zones,' where products for export, especially [products] with high labor content would be produced." Local labor leaders charged that such a proposal would force the borderlands to compete with "Hong Kong, Taipei," and other low-wage industrial regions.<sup>167</sup> Labor locals interpreted Telles's openness to the idea of a binational industrial park as though this was a proposal that he was pushing and administering.

The binational industrial park proposal alarmed AFL-CIO locals along the border, who attempted to find supporters and allies who could challenge the AFL-CIO. Joe Barrera, an international representative of the Meatcutter's Union spoke with Vicente Ximenez about Telles. Barrera charged CODAF with a litany of crimes against workers. Telles, according to Barrera,

167. "Border Development Panel to Discuss Projects Here," and "Industrial Zones Eyed on Border of U.S.-Mexico," Folder 16-6 Organizations AFL/CIO, Box, 13, Admin 16-2 Publications to Admin 16-6 Organizations-AFL/CIO, United States-Mexico Border Commission, General Correspondence, 1966-1969, Record Group 43: Records of International Conferences, Commissions, and Expositions, National Archives and Records Administration, College Park, MD.



only resorted to a plan for the "economic and social development for both sides of the frontier" because the AFL-CIO opposed him so forcefully on the issue of binational industrial parks. According to Barrera, the community uplift initiatives were intended to conceal CODAF's ultimate plan to help American companies relocate their operations in Mexico. The flexibility and broad planning oversight granted to the agency, coupled with its willingness to consider economic proposals that the Texas AFL-CIO considered dangerous made CODAF into a for Texas labor unions.<sup>168</sup>

But on a larger level, CODAF's willingness to entertain the binational industrial park proposal also indicated how liberals and Democrats began to view free trade and knowledge-oriented jobs as the future of economic growth. CODAF's struggle with the Texas AFL-CIO suggested that the Democratic Party was willing to pursue economic policies that put distance between itself and its labor base beginning in the late 1960s. After repeated attacks from labor locals, CODAF still sought to implement an industrialization scheme that relied heavily upon the growth of trade and forecasted how the future American economy would increasingly rely less upon skilled labor, but instead focus more on knowledge workers and professionals. By suggesting that American plants would be more managerial and logistical, it implicitly suggested that the American economy would soon shift into a postindustrial phase. But Telles, CODAF, and the Democratic Party did not communicate this anticipation of an economic shift with its labor base. Instead, Telles unsuccessfully sought to correct labor's expectations about CODAF's powers and goals.

<sup>168</sup> Joe R. Barrera to Raymond Telles, 12 December 1967, Folder 16-6 Organizations AFL/CIO, Box, 13, Admin 16-2 Publications to Admin 16-6 Organizations-AFL/CIO, General Correspondence, 1966-69, United States-Mexico Border Commission, RG 43. Records of International Conferences, Commissions, and Expositions, National Archives and Record Administration, College Park, MD.

Telles attempted to address Barerra's concerns when he explained CODAF's institutional constraints and motivations, but failed to quell labor's concern over the Commission. Telles instructed Barerra that CODAF did not originate the proposal or plan for binational industrial parks or foreign-trade-zones. These were proposals generated prior to his arrival as commissioner. Moreover, Telles also argued that CODAF considered the proposal because many people across the borderlands told him it was a priority for local communities. Telles told Barerra that he had "visited different communities" across the borderlands "in order to listen to their social and economic problems and programs." He explained that on his travels "the subject of a 'Free Trade Zone' has been mentioned by some of the residents of the border, and in particular, by the municipal authorities of McAllen [Texas] who have for some time, long before the creation of our Commission, been interested in, and working on, the establishment of such a zone in the area."<sup>169</sup> Telles then elaborated upon how CODAF took up the various issues and proposals that he encountered to help local communities use the largesse of the federal government to accomplish its goals. But this explanation proved to be unsatisfying for Barerra and other labor locals in Texas. After a handful of encounters throughout the year, the Texas AFL-CIO would produce a document that would dramatically alter Telles's and CODAF's approach to the AFL-CIO.

Early in 1968, the Texas AFL-CIO adopted and publicized a series of resolutions that accused CODAF and Telles of promoting programs that increased unemployment amongst the workers of South Texas. The resolutions stated that the workers who resided in the Rio Grande

169. Raymond Telles to Joe Barerra, 17 November 1967, Folder 16-6 Organizations AFL/CIO, Box, 13, Admin 16-2 Publications to Admin 16-6 Organizations-AFL/CIO, United States-Mexico Border Commission, General Correspondence, 1966-1969, Record Group 43: Records of International Conferences, Commissions, and Expositions, National Archives and Records Administration, College Park, MD.

Valley were vulnerable because of their close proximity to Mexico. Employers exploited the availability of nearby Mexican laborers by hiring “green card commuters” that worked in U.S. plants, but resided in Mexico. These “green card commuters” worked for a lesser wage because their cost of living in Mexico was much lower. The glut of “green card commuters” in the labor market decreased wages in the area for American workers and increased unemployment because American workers refused to work for such low wages. The Texas AFL-CIO did not directly accuse Telles and CODAF of promulgating the “green card commuter program,” but instead used CODAF's reluctance to challenge the program as proof that the commission did not work to improve the living and working conditions along the U.S.-Mexico border. The resolutions, however, condemned CODAF and binational industrial parks in much stronger language.<sup>170</sup>

The Texas AFL-CIO demonstrated the gaping rift between labor and CODAF when they published a resolution that largely blamed the increase in runaway plants upon Telles and his colleagues. The resolutions singled out CODAF and Telles by suggesting that the ambassador enticed countries to relocate to Mexico. The Texas AFL-CIO described CODAF in unflattering and charged terms: “the U.S. Border Development Commission [*sic*], appointed by the President of the United States under Ambassador Raymond Telles has now undertaken to create another monster in the unemployment field by encouraging plants employing thousands of American workers to move just across the border into Mexico.” According to the Texas AFL-CIO, these “plants will be permitted to manufacture or process goods for export to the United States, duty

<sup>170</sup> Texas AFL-CIO Resolutions, Folder 16-6 Organizations AFL/CIO, Box, 13, Admin 16-2 Publications to Admin 16-6 Organizations-AFL/CIO, United States-Mexico Border Commission, General Correspondence, 1966-1969, Record Group 43: Records of International Conferences, Commissions, and Expositions, National Archives and Records Administration, College Park, MD

free. This will certainly help the Mexican economy, but will also deprive American citizens of earning a livelihood.”<sup>171</sup>

The Texas AFL-CIO did not just list charges and accusations, however, but also laid out a program for challenging the programs and undermining the agencies that supported them. The Texas AFL-CIO vowed that the state federation's Equal Opportunity, Community Services, and Mexican American Affairs Committees would work with government agencies to immediately halt the green card commuter program and to fine American firms that moved their operations to a foreign country.<sup>172</sup> These initiatives suggested that CODAF needed to begin working on the labor union's agenda or face off against the state labor federation.

The Texas AFL-CIO followed up these resolutions by widely publicizing their views and developing a strong statement of their problems with the CODAF and its initiatives. This legislative and lobbying effort used less accusatory and hostile language, but instead offered recommendations and suggestions to stop CODAF from helping U.S. firms relocate to the Mexican border. They implored what they called the “U.S.-Mexico Commission on Economic and Social Development of the Border Area Projects” to consult “officers of the Texas AFL-CIO” when they developed plans to “industrialize the border areas.” The Texas AFL-CIO's expertise could help suggest “safeguards” to exploitation. Labor leaders urged CODAF to apply the Fair Labor Standards Act, the National Labor Relations Act, and Child Labor Laws to “*all*

<sup>171</sup> Texas AFL-CIO Resolutions, Folder 16-6 Organizations AFL/CIO, Box, 13, Admin 16-2 Publications to Admin 16-6 Organizations-AFL/CIO, United States-Mexico Border Commission, General Correspondence, 1966-1969, Record Group 43: Records of International Conferences, Commissions, and Expositions, National Archives and Records Administration, College Park, MD.

<sup>172</sup> Texas AFL-CIO Resolutions, Folder 16-6 Organizations AFL/CIO, Box, 13, Admin 16-2 Publications to Admin 16-6 Organizations-AFL/CIO, United States-Mexico Border Commission, General Correspondence, 1966-1969, Record Group 43: Records of International Conferences, Commissions, and Expositions, National Archives and Records Administration, College Park, MD.

*workers* in the [binational] industrial parks.” The AFL-CIO also advised that these laws be iron clad and argued that “unfair exemptions from the Acts should be removed so that all workers from both sides of the Rio Grande” be protected by these laws.<sup>173</sup> Labor leaders argued that these types of plants should be treated equally under U.S. laws in order to decrease the competitive advantage that these locations may offer to American companies, but also because of the way that these companies benefitted from and operated within the larger structures of the U.S. economy.

The continued criticism from labor perplexed and stunned Telles. Since Telles himself hailed from El Paso, he appeared slightly confused and a bit frustrated by the blowback coming from these labor locals along the boundary. Indeed, he knew many of the state level and national level labor leaders from his personal life as well as his long career in government and the Foreign Service. Their barbs and accusations stung him considerably. Out of this personal and professional connection and his devotion to the people of the borderlands, he quickly worked to include labor leaders in the planning process.<sup>174</sup> Though Telles may have come from a Sunbelt background, he demonstrated no outright antipathy or hostility to the labor movement. In the spring of 1968, all levels of CODAF moved quickly to involve more labor union representatives in the research and planning process.

173. Henry Munoz, Jr., “The View of Organized Labor,” Folder 16-6 Organizations AFL/CIO, Box, 13, Admin 16-2 Publications to Admin 16-6 Organizations-AFL/CIO, United States-Mexico Border Commission, General Correspondence, 1966-1969, Record Group 43: Records of International Conferences, Commissions, and Expositions, National Archives and Records Administration, College Park, MD.

174. Telles to McClellan, 25 June 1968, Folder 16-6 Organizations AFL/CIO, Box, 13, Admin 16-2 Publications to Admin 16-6 Organizations-AFL/CIO, United States-Mexico Border Commission, General Correspondence, 1966-1969, Record Group 43: Records of International Conferences, Commissions, and Expositions, National Archives and Records Administration, College Park, MD.

Telles focused his attention on the national and state levels of the AFL-CIO in order to remedy the strained relationship between CODAF and the labor movement. In January of 1968, Telles met with Hank Brown to discuss the recent resolutions that criticized CODAF's so-called involvement with Mexico's Border Industrialization Program. Brown proved to be very amenable during the discussion and reviewed the resolution carefully in Telles's office while Brown visited Washington, DC. After discussing the resolutions, Brown admitted to Telles that he regretted signing the resolutions after reviewing them so hastily. The two men agreed that the accusations speculated about much or were downright untrue in many instances. Brown wanted to amend the situation by discussing these problems with Telles and the Texas AFL-CIO's state executive committee in March. Telles agreed to the meeting and began to brainstorm how to make the labor movement a key partner in CODAF's planning for the borderlands.<sup>175</sup>

Beginning in 1968, Telles began to reach out to the state leaders of the Texas AFL-CIO. Telles sought to win the support and trust of labor leaders by communicating with them openly and also allowed them opportunities to provide input at a very high-level of the planning process. The following month, Telles got in touch with Henry Muñoz at the AFL-CIO's state office in Austin, Texas, and left his contact information with him. He attempted to communicate regularly with Muñoz and his colleagues. Telles made it clear that they were working partners in the process and invited them to social events and gatherings in both Texas as well as Washington, D. C. Though unable to give them an official "seat" on CODAF, since it was a consultative agency, he reminded Texas labor leaders that Stanley Ruttenberg served as the Department of Labor's

<sup>175</sup> Telles to Hank Brown, July 1968, Folder 16-6 Organizations AFL/CIO, Box, 13, Admin 16-2 Publications to Admin 16-6 Organizations-AFL/CIO, United States-Mexico Border Commission, General Correspondence, 1966-1969, Record Group 43: Records of International Conferences, Commissions, and Expositions, National Archives and Records Administration, College Park, MD.

representative to CODAF. Telles wanted to also make sure that Muñoz did not feel alienated from the international aspects of the program and invited him to attend CODAF's bilateral plenary planning sessions in Washington D. C. He also reminded them that CODAF was a coordinating agency and did not have any power, or incentive to help plants and companies relocate their operations across the border.<sup>176</sup>

Most notably, though, Telles attempted to give labor a stake in identifying and defining some the main problems that afflicted the U.S.-Mexico borderlands. In May 1968, he invited Muñoz and the AFL/CIO state office in Austin to look over CODAF's proposal to contract a consulting agency to research the social and economic development potential of the borderlands—this document, known as the Nathan Report, is covered in detail in chapter 2. Telles let Muñoz know that “the purpose of this study is to identify specific job creating opportunities which would benefit American workers along our side of the border, who are now unemployed or underemployed.” Since the AFL-CIO served as an expert on many of these issues, he welcomed Muñoz's “help in making the study as effective as possible,” and gave him and his team several weeks to review the proposal and return it to him with their suggestions. Telles also drew attention to the fact that the contract included a clause on page 6 that stipulated that the researchers needed to meet with the Texas AFL-CIO regularly to “discuss the study, and your appraisal of the conditions and needs of the Texas border.” According to Telles, Labor and its representatives played a key role in helping to both identify the problems along the border as

<sup>176</sup> Henry Munoz Jr. to Telles, 5 July 1968, Folder 16-6 Organizations AFL/CIO, Box, 13, Admin 16-2 Publications to Admin 16-6 Organizations-AFL/CIO, United States-Mexico Border Commission, General Correspondence, 1966-1969, Record Group 43: Records of International Conferences, Commissions, and Expositions, National Archives and Records Administration, College Park, MD.

well as developing and implementing the solutions. He made important steps at the national and state level to include labor representatives in the planning process. This strategy, however, experienced far less success on the local level.<sup>177</sup>

CODAF hoped to defuse the AFL-CIO's distrust by opening field offices that would communicate more frequently with the union locals in the borderlands. In March 1968, CODAF advertised the opening of a regional office in Laredo, Texas. Telles told regional labor leaders, community advocates, and chambers of commerce that "as our work has unfolded and relationships between our staff and these agencies, the State of Texas, county and municipal officials, and others, have developed, it has become increasingly clear that establishing an office in the area could add impetus to our work by enabling us to draw upon the initiative and experience of those who know the border--its citizens and leaders."<sup>178</sup> The conversations and conflicts with the representatives and residents of the Rio Grande Valley improved many of the agency's coordinating and outreach efforts. More communication and cooperation between local communities and the agency's regional representatives would allow for more local input in the agency's efforts, but also defused some the distrust and suspicions that local leaders held for the agency. But even this move could not fully integrate labor leaders and other community activists into the development plans of borderlands communities.

<sup>177</sup> Telles to H.S. (Hank) Brown, July 1968, Folder 16-6 Organizations AFL/CIO, Box, 13, Admin 16-2 Publications to Admin 16-6 Organizations-AFL/CIO, United States-Mexico Border Commission, General Correspondence, 1966-1969, Record Group 43: Records of International Conferences, Commissions, and Expositions, National Archives and Records Administration, College Park, MD.

<sup>178</sup> Raymond Telles to Judson Williams, 5 March 1968, Folder 16-6 Organizations AFL/CIO, Box, 13, Admin 16-2 Publications to Admin 16-6 Organizations-AFL/CIO, United States-Mexico Border Commission, General Correspondence, 1966-1969, Record Group 43: Records of International Conferences, Commissions, and Expositions, National Archives and Records Administration, College Park, MD.



Though Telles was successful in including labor representatives at higher levels of administration, CODAF struggled to open its doors to labor on the more local level. As a CODAF employee, Davis served on a committee to provide input on how the local committee could apply for funding from the federal government for their projects. During a meeting in July 1968, Davis noticed the absence of David Jacobs, the local AFL-CIO labor representative. Surprised by Jacobs's absence, Davis wrote a letter to the Mayor of Laredo to suggest that the AFL-CIO be included in the efforts because Jacobs's "knowledge of the local labor scene would be most helpful to the city in his planning efforts."<sup>179</sup>

During the follow-up meeting a week later, Davis again noted Jacobs's absence. Initially, Davis thought that Jacobs had missed the meeting. But when the two men spoke a few days later, Jacobs revealed to Davis that he was unaware of the meeting and he had not been invited to participate. Davis "was disturbed to find that he had not been invited," since other members of the committee agreed to including a labor representative during their later discussions. In response, Davis sent out a flurry of new letters. After the meeting, Davis contacted Emilio Gutierrez, who also served on the committee. Davis made it clear that local labor representatives needed to provide support and knowledge for a "coordinated approach toward bringing industry to Laredo." These letters however, failed to generate any notable change in the personnel in these types of meetings.<sup>180</sup>

<sup>179</sup>Dwight Davis to Emilio Gutierrez, 25 July 1963, Folder 16-6 Organizations AFL/CIO, Box, 13, Admin 16-2 Publications to Admin 16-6 Organizations-AFL/CIO, United States-Mexico Border Commission, General Correspondence, 1966-1969, Record Group 43: Records of International Conferences, Commissions, and Expositions, National Archives and Records Administration, College Park, MD.

<sup>180</sup> Dwight Davis to Emilio Gutierrez, 25 July 1963, Folder 16-6 Organizations AFL/CIO, Box, 13, Admin 16-2 Publications to Admin 16-6 Organizations-AFL/CIO, United States-Mexico Border Commission, General Correspondence, 1966-1969, Record Group 43: Records of International Conferences, Commissions, and Expositions, National Archives and Records Administration, College Park, MD.

Unfortunately, CODAF's inability to make inroads with the AFL-CIO further undermined its credibility with the labor movement. Union locals in the Rio Grande Valley felt spurned by their lack of inclusion in local planning process and would continue to thwart CODAF's plans in the Rio Grande borderlands. Labor locals in Texas continued to complain to the national organization about CODAF. Local labor leaders also persisted in their allegations that Telles and his subordinates enticed American companies to relocate to Mexico.

The relationship between CODAF and the Rio Grande locals of the AFL-CIO deteriorated even further in the summer of 1968. Henry Munoz contacted Telles twice early on in the summer. During a banquet in McAllen, Texas, in June, Muñoz attempted to address Telles, but failed to initiate a conversation because Telles's entourage and other event attendees tied the ambassador up in conversation. Several weeks later, Munoz once again asked Telles for "data on Runaway plants," as "quite a few have opened up operations on the Mexican side" over the past few months. Muñoz also expressed his frustration over the opening of the new regional office. Curiously enough, he was upset by the fact that the locals had not been consulted about where the office would be located and who would staff it. It seems that the goodwill Telles had cultivated with Hank Brown and other members of the national CODAF did not translate to more community support on the ground level of the Rio Grande borderlands.<sup>181</sup>

Telles continued to reiterate that CODAF did not provide any services or support to the Mexican-run Border Industrialization Program. At the end of June Telles responded to Munoz's request for information about American plants in Mexico by forwarding his request to the U.S.

<sup>181</sup> Munoz to Telles, 18 June 1968, Folder 16-6 Organizations AFL/CIO, Box, 13, Admin 16-2 Publications to Admin 16-6 Organizations-AFL/CIO, United States-Mexico Border Commission, General Correspondence, 1966-1969, Record Group 43: Records of International Conferences, Commissions, and Expositions, National Archives and Records Administration, College Park, MD.

embassy in Mexico City. Telles emphasized that CODAF “did not facilitate the relocation of factories.” Muñoz then pleaded ignorance about CODAF and its operations and suggested that the two may cooperate further when he learned more about the agency and its operations. But less than two weeks later, Muñoz again contacted Telles for information regarding data for runaway plants in Mexico. When Telles again had to forward his request, Muñoz revealed his growing antagonism when he suggested that the national AFL-CIO would soon be working to close the agency down. Though Muñoz often came across as someone who did not fully grasp the details and intricacies of CODAF and its plans, it seems he was quite correct in surmising how the national organization would lead to the agency's ultimate downfall.

The national AFL-CIO echoed and amplified the complaints emanating from the locals in the Rio Grande Valley and made CODAF's position in Congress much more precarious. Henry Muñoz alerted Telles about the national AFL-CIO's resolutions to end CODAF's industrialization plans. Muñoz told Telles that he would find the national resolutions to be “identical to what we in the Texas AFL-CIO have been preaching all along” to CODAF leaders. “The only difference,” commented Munoz was “that now the National AFL-CIO is taking the lead.” Munoz then used this pivot to convey the seriousness of the AFL-CIO challenge to CODAF's continued operations. According to Muñoz, the national AFL-CIO would force CODAF to develop a “stronger program of involvement” for labor to prevent “the exploitation of workers along the Texas-Mexico border.” The prominence of the national committee and the imminent 1968 political contests almost guaranteed that these concessions would come “long before the general election.” This threat insinuated that the AFL-CIO would be able to leverage some concessions during this very important election year. Who exactly would be listening to

these concerns and granting labor's wishes was unclear from the letter, but this charge revealed the growing rift between CODAF, labor, and the Democratic Party.

These high-level AFL-CIO officials, however, did not mimic the Texas AFL-CIO's resolutions, but instead undertook their own research into the border industrialization program and CODAF's potential involvement in the matter. In late 1968, George Meany, the president of the AFL-CIO appointed the Executive Council Subcommittee on Mexican Border Problems. Meany selected David Dubinsky, Jacob Potofsky, Joseph Keenan, and Paul Jennings to head the subcommittee and these four union leaders drafted the national resolutions that were sent to Telles in May of 1968.<sup>182</sup>

Labor leaders from the national level echoed many of the sentiments expressed by the state level committees of the Texas AFL-CIO. Prominent labor leaders, such as David Dubinsky, Jacob Potofsky, Joseph Keenan, and Paul Jennings all weighed in on how the tariff exemptions effectively made these companies domestic, rather than foreign operations. Since these companies sold their products and obtained their component materials from the United States, these "U.S.-owned PRONAF plants are, in effect, operating within the U.S. economy," and as a result it seemed both fair and logical that "U.S. labor standards should prevail in such plants." The national AFL-CIO also suggested that CODAF reconsider using this industrialization model to achieve their objective of modernizing and uplifting the residents of the border area. Currently, these plants enjoyed powerful incentives and opportunities to relocate their operations since many of these companies received "assistance from the U.S. Tariff code and encouraging advice from government officials." These companies seemed quite willing to relocate "in the

<sup>182</sup> Jacob Potofsky to George Meany, 8 May 1968, folder 39: Mexico, 1968-1979, box 68, Office of the President, President's Files, George Meany, 1947-1960, Meany Labor Archives, University of Maryland, College Park.

border area for private gain, with the aid of both governments,” but these programs did not necessarily cause “overall economic and social development for the border area.” These factories and plants, according to Dubinsky and others, depressed wages across the borderlands for both American and Mexican workers. And these companies also flouted the labor standards found in American plants; making work dangerous and employment and wages more unpredictable. The binational industrial park seems liked a risky, and low-reward effort to improve living standards along the U.S.-Mexico border.<sup>183</sup>

In addition to these public pronouncements, the Subcommittee on Border Problems acquired as much information as possible about what types of companies were moving their operations to Mexico. They solicited information from the U.S. State Department, and the Mexican government about the number of American companies currently operating in the border zone. American officials told the subcommittee that they did not participate in the program and had no information related to the companies. These officials referred the subcommittee to representatives in the Mexican government who, failed to produce the information requested. The subcommittee then appointed an AFL-CIO employee to conduct a firsthand investigation into the border plants.<sup>184</sup>

<sup>183</sup> Jacob Potofsky to George Meany, 8 May 1968, folder 39: Mexico, 1968-1979, box 68, Office of the President, President's Files, George Meany, 1947-1960, Meany Labor Archives, University of Maryland, College Park.

<sup>184</sup> Jacob Potofsky to George Meany, 8 May 1968, folder 39: Mexico, 1968-1979, box 68, Office of the President, President's Files, George Meany, 1947-1960, Meany Labor Archives, University of Maryland, College Park and Andrew McClellan to Raymond Telles, 8 August 1968, Folder 16-6 Organizations, Box 13, Admin 16-2 Publications to Admin 16-6 Organizations-AFL/CIO, United States-Mexico Border Commission, General Correspondence, 1966-1969, Record Group 43: Records of International Conferences, Commissions, and Expositions, National Archives and Records Administration, College Park, MD.

The Subcommittee's firsthand investigation indicated that the border industrialization program was succeeding and was likely to continue attracting American companies. The subcommittee's investigator, a man named Robert J. O'Neill conducted a month-long tour of factories in Tijuana, Ensenada, Juarez, and Matamoros. He asked factory operators to fill out a survey produced by the Subcommittee in Washington. He also conducted informal interviews that revealed to the members the industrialization effort's success. O'Neill related that the number of people employed in these plants seemed far larger than reported. The Congreso de Trabajadores Manuales (CTM), represented most of these plants and made sure the workers earned the legal minimum wage. Most of these factories received all of their capital financing from American sources and most factories were electronics plants. O'Neill feared that "there will be an even greater movement to Mexico by small and medium sized electronics firms in order to survive in this competitive industry."<sup>185</sup> The situation was dire, but the question of what to do about the problem remained.<sup>186</sup>

Ultimately, the AFL-CIO continued to block any development of the border industry. In April of 1969, Nat Goldfinger, the head of the International Affairs Department of the AFL-CIO, argued that the best course of action was to apply pressure on U.S. officials. By pressuring officials, they hoped to restrain capital flight. But this restraint should also dampen the federal government's political and financial support for any programs that promoted industrialization along the U.S.-Mexico border. This, according to labor leaders, put CODAF firmly in their

185. Robert J. O'Neill to Andrew C. MacLellan, 2 September 1969, Folder 2: 1968, International Affairs Department Country Files, 1945-1971, Meany Labor Archives, University of Maryland, College Park.

<sup>186</sup> Robert J. O'Neill to Andrew C. MacLellan, 2 September 1969, Folder 2: 1968, International Affairs Department Country Files, 1945-1971, Meany Labor Archives, University of Maryland, College Park.

crosshairs. And luckily for the AFL-CIO, the incoming administration seemed uninterested in putting up a solid fight to maintain the agency.<sup>187</sup>



Illustration 4: After President Johnson announced he will not seek re-election, Telles met with the president to discuss the future of CODAF. 11 April 1968. Courtesy of Lyndon Baines Johnson Presidential Library and Museum, Austin, TX.

### *Nixon, Labor, and Political Realignment*

On January 13, 1969, Lionel van Deerlin, a Congressman from San Diego, California, and an ardent supporter of CODAF supported legislation that would make CODAF into a permanent agency. On the floor of the House of Representatives, Van Deerling asked Congress if

<sup>187</sup> Robert J. O'Neill to Andrew C. MacLellan, 2 September 1969, Folder 2: 1968, International Affairs Department Country Files, 1945-1971, Meany Labor Archives, University of Maryland, College Park.

CODAF was “a clutch of bilingual bureaucrats.” The congressman from San Diego, of course, answered his question in the negative, and contended that this was not the case because of CODAF’s established accomplishments, and more importantly, “the potential that seems to exist for future achievements.” In light of this very optimistic assessment of CODAF and its future, Van Deerlin also acknowledged CODAF's rocky future. There was no doubt that President Johnson eagerly supported CODAF, but Van Deerlin acknowledged that :the future success of the Commission will depend to a large extent on the attitude of President-elect Nixon, after he takes office January 20.”<sup>188</sup> The upcoming inauguration did not necessarily buoy the hopes of many CODAF supporters, but they were still optimistic that they could convince the incoming administration of the agency’s usefulness in both domestic and foreign policy. Nixon listened to many of the congressman and citizens who lobbied him on CODAF's behalf and considered the commission to be a valuable tool in many ways. Ultimately, though, Nixon's plans for the future of the agency were tied to the president’s larger political goals of attracting more blue-collar voters to his nascent political coalition.

The Nixon White house understood the political benefits of continuing CODAF, but was wary of the potential blowback that could result from the agency’s association with “runaway plants.” In May 1969, Telles confronted Nixon with this conundrum when he asked the President to meet with the CODAF commissioners during the fourth biennial plenary session. The Nixon administration was initially quite enthusiastic about the prospect, but then considered the political consequences of such a meeting. At first, a Nixon appointee to CODAF named Patricia Reilly Hitt suggested that since the “Ambassador and Commissioners from Mexico are apprehensive about the change in the Administration,” a meeting between the full bilateral

188. U.S. Congress, *Congressional Record*, 91st Cong., 1st sess., 1969, vol. 1, pt. 1, E1192.



agency and the “President would be good.” But Nixon advisers cautioned against such a meeting. Dwight Chapin, special assistant to Nixon, stated that “it would be a good idea for the President to meet with CODAF members if Ambassador Tellez [*sic*] can guarantee that the border trade subject will not come up.<sup>189</sup> The Nixon Administration knew how popular the agency was with borderland politicians and constituents, but seemed uneasy about how their rust-belt voters would perceive their association with an agency that many labor unions openly protested against. In order to curry favor with both labor unions and borderlands politicians, Nixon chose to reorganize the agency so that the administration could more closely monitor its activities.

Nixon’s advisors discussed CODAF’s future on several occasions and decided that the agency should be re-organized so that the White House could control its operations more closely. In early discussions, Nixon advisers considered abolishing the agency because they were not quite sure it was useful or necessary. But borderlands politicians and businessmen, such as Barry Goldwater, convinced the White House of CODAF’s importance to the borderlands. Once Nixon decided to keep the agency, however, the nature of its organization became a lively topic of discussion. Nixon considered Telles to be too ambitious. The White House thought that the current CODAF commissioner’s plans to be far-reaching and progressive. And Nixon feared that Telles could tout his accomplishments to build a political base in the politically powerful Sunbelt. Much like other incoming administrations, Nixon wanted his own appointees. Chapin and Patricia Reilly Hitt talked about replacing Telles with Dennis Vargas, a very capable administrator from the Inter-Agency Commission on Mexican-American Affairs. Both advisors, however, also thought that Vargas was too ambitious and may use his agency to implement

189. Dwight L. Chapin to Patricia Reilly Hitt, GEN IT 67 United States-Mexico Commission for Border Development and Friendship [1969-1970], IT (International Organizations), Subject Files, White House Central Files, Richard M. Nixon Presidential Library and Museum, Yorba Linda, CA.

programs that would cause the administration controversy. They were also fearful that Vargas would use his experience to run for office in his hometown of Los Angeles, CA. Both of these men were political liabilities because they had “been pushing hard for upgrading and strengthening CODAF.” Since the two most suitable candidates for the job both seemed likely to jeopardize the White House as a result of their agendas, most advisors agreed that the best way to deal with CODAF would be to strip its powers and place the agency under the more direct control of the White House.<sup>190</sup> To be sure, Nixon decided to keep CODAF, but remained wary of the political controversies that surrounded the agency. The upcoming plenary session, however, forced the White House to act upon their previous conversations about reorganizing CODAF.

The feared political fallout from the fourth plenary session accelerated the timetable for CODAF's reorganization. After several days of waiting, Patricia Reilly Hitt once again asked the White House about meeting with CODAF. Hitt reiterated that the meeting would be good for the agency's morale and for the diplomatic relationship with Mexico. She was shocked when she received the Nixon administration's response. Advisors in the White House told Hitt that the administration already planned to replace Telles and to indefinitely postpone the meeting. The White House also talked about Telles's future as an administrator. Nixon eventually appointed Telles to a seat at the Equal Employment Opportunity Commission, but completely brushed aside any suggestion that Telles could serve as a diplomat to Mexico or other Latin American countries.<sup>191</sup> The administration hoped to build a new look for CODAF that avoided its previous association with the troublesome issue of “runaway plants.” By firing Telles, Nixon and his

190. Hitt to Nixon, 19 May 1969, GEN IT 67 United States-Mexico Commission for Border Development and Friendship [1969-1970], IT (International Organizations), Subject Files, White House Central Files, Richard M. Nixon Presidential Library and Museum, Yorba Linda, CA.

191. Hugh Sloan to Henry Kissinger, 30 June 1969, Richard M. Nixon Presidential Library, Yorba Linda, CA.

advisors hoped to avoid the bad optics of meeting the American and Mexican bureaucrats that were accused of enticing American companies to relocate their operations overseas.

The Nixon White House may have avoided some bad publicity with labor, but stirred up some controversy amongst people who followed CODAF and borderlands politics and international affairs more carefully. These observers accused the Nixon administration of carelessly damaging the diplomatic relationship with Mexico when they abruptly replaced Telles and cancelled the upcoming diplomatic meeting.

The Nixon White House needed to diminish claims that their dismissal of Telles and postponement/cancellation of the CODAF Plenary Session precipitated an international crisis. The administration fired Telles and postponed the upcoming plenary session on 24 May 1969, five days before the scheduled opening of the plenary session. The call to Telles also happened just a few hours after the ambassador confirmed that several Mexican diplomats were en route to Washington to help finalize details for the upcoming conference. Telles quickly dashed off a message to the White House asking to stay in his job to help oversee the upcoming plenary as well as to testify before the Senate about the agency's budget. A close Nixon advisor, Patricia Reilly Hitt, corroborated Telles's claims that the postponement/cancellation of the meeting would negatively affect the diplomatic relationship between both countries. Hitt told Nixon that 6 of the 27 Mexican diplomats had already arrived in Washington to finalize details with Telles. Telles's dismissal rattled the diplomats, who were already concerned that the Nixon administration would not support CODAF. She restated that if they wished to dissolve or reorganize CODAF, the best course of action would be to delay any of those decisions until after

the meeting concluded. But Nixon and his allies were not willing to let their association with Telles and CODAF move that far.<sup>192</sup>

Journalists and reporters who had been covering CODAF carefully over the past couple of years questioned the motives surrounding Telles's removal. Many people questioned why Nixon sacked Telles so quickly and unceremoniously. Borderlands newspapers questioned why Nixon would replace Telles, a twenty-five-year public servant who had served as mayor of El Paso as well as an ambassador to Costa Rica with a 34-year old "insurance company executive" from San Antonio, Texas, named Tony Rodriguez. These same journalists queried what made Rodriguez qualified for the "\$33,000-a year job." The fact that Rodriguez "had been active in the leadership of Republican Party Affairs during the political campaigns of Sen. John G. Tower (Texas) and President Nixon," made many of these journalists wonder aloud if the post had devolved into a sinecure.

But Nixon's decision to weaken CODAF also played to his larger aspirations to appeal to the white, ethnic, voters that belonged to labor unions. As a dark horse candidate that had spent the previous eight years in the "political wilderness," Nixon's ascent seemed quite unlikely. But Nixon's fertile political mind produced many strategies and tactics for cobbling together a coalition that could sustain his power. One of these larger aspirations included the development of what he called the "New Majority." This new majority sought to pry away the base of the Roosevelt coalition that made the Democratic party the bastion for labor interests. According to one historian, this strategy necessitated that "groups and interests be manipulated from the inner

<sup>192</sup> Hitt to Nixon, 19 May 1969, GEN IT 67 United States-Mexico Commission for Border Development and Friendship [1969-1970], IT (International Organizations), Subject Files, White House Central Files, Richard M. Nixon Presidential Library and Museum, Yorba Linda, CA.

sanctum of the White House.”<sup>193</sup> The manipulation and maneuvering required Nixon to take up symbolic actions to build the sense of a “working class movement” for Nixon. These actions included Labor Day fetes for union members, the selective wooing of labor leaders in sympathetic industries and in sympathetic states, and emblematic appeals to the working class. And one of these appeals may have been the reorganization of CODAF, which, many labor leaders and union locals labeled as one of the primary threats to the continued prosperity of the American working class.

The construction of the “New Majority” required Nixon to appeal to the rank-and-file union member despite the leadership's latent and at times, overt hostility. As such, the strategy decided upon by Nixon meant that “under no circumstances should we assume a [*sic*] anti-labor posture.” Such a measure required Nixon to never spar with the leadership. Whenever labor leaders attacked Nixon it was important for Nixon and his allies to “talk about our responsibility for America's working men and women and for organized labor.”<sup>194</sup> Nixon could not be seen as attacking labor leadership, but instead needed to develop a strategy that allowed him to appeal directly to the rank-and-file union members. The Nixon administration may have restructured CODAF because he and his allies thought that a close association with Telles may have weakened the president's claim to be the tribune of organized labor. By removing Telles and cancelling the plenary session, Nixon avoided close association with the problematic industrialization schemes associated with the ambassador and the agency. Moreover, the proposed reorganization allowed the White House to carefully monitor the agency so that it

193. Jefferson Cowie, *Stayin' Alive: The 1970 and the Last Days of the Working Class* (New York: New Press, 2010), 125, 128, 130.

194 Memo on Meeting with Messrs. Connally, Haldeman, Rumsfeld, Shultz and Colson, Folder AFL.CIO Convention (Meany) 11.19.71 [8 of 8], box 28, Subject Files, Charles W. Colson Papers, Staff Member Office Files, White House Special Files, Nixon Presidential Library and Museum, Yorba Linda, CA.

could not produce any more problematic schemes or ideas. Close management of the agency would yield political capital with borderlands Republicans, but also allow the White House to avoid a public confrontation with the labor movement.

The new CODAF, however, would prove to be short-lived. Rather than a rebirth of the agency, this re-shuffling instead kicked off its eventual demise since neither the new head nor the administration were up to the task of facing down CODAF's increasingly hostile and vocal opposition.

#### *The AFL-CIO on the Attack*

Nixon's reshuffling of CODAF signaled to the AFL-CIO that the commission had tepid support in the White House. Labor leaders at both the local and national levels sensed an opportunity to eliminate the agency. Perhaps aware of Nixon's desire to court the labor movement, they anticipated that the Nixon administration would feebly defend the agency, despite the many prominent Republicans that supported the permanent establishment of the agency. Over the summer, the AFL-CIO cemented their reasons for opposing CODAF. During the summer and fall of 1969, Meany's Subcommittee on Border Problems provided some of the most damning critiques of the commission and its efforts in the borderlands. The Subcommittee's research led the AFL-CIO to deploy their clearest argument against CODAF's very tenuous attempt to acquire permanent funding for their operations.

The AFL-CIO detected Nixon's hesitation on the status of CODAF. The reshuffling buoyed hopes that the Nixon Administration would quietly throttle the agency. But many labor leaders also watched support for the agency on the Republican and Democratic sides intensify since "Goldwater, Tower as well as a good many liberal and well-meaning Congressmen have been

promoting CODAF.” This caused a slight amount of trepidation that the agency may survive the upcoming legislative session. But signals that came from inside the White House suggested that it was time to finally kill the agency. In the late fall of 1969 the Nixon administration altered the funding request for the agency. According to the AFL-CIO, this meant that Nixon sensed political “danger” and as a result “reduced its budget request for CODAF from \$1.5 million to \$362,000.” By slashing CODAF's budget by nearly three-fourths, the administration telegraphed its wariness of wading into a full-fledged fight with the AFL-CIO. The paltry sum offered up by Nixon revealed the agency’s flagging support and suggested that the AFL-CIO had the influence to cut off all funding to the commission.<sup>195</sup>

The Subcommittee on Border Problems developed the most forceful opposition to CODAF by dropping all references to “runaway” plants and instead focusing upon how the larger process of border industrialization posed serious problems to the welfare of American workers. During the fall of 1969, the AFL-CIO delivered its most succinct and cogent argument against CODAF by suggesting that even if the agency did not promulgate the original proposal for the binational industrial parks, it still enticed American companies to relocate their manufacturing operations overseas. As one labor leader contended, the “AFL-CIO has consistently stated that CODAF, while claiming that it has nothing to with the Mexican Border Industrialization Program, cannot have any result except to promote the program [Border Industrialization Program].”<sup>196</sup>

195. Ernest S. Lee to George Meany, 12 November 1969, Folder 39: Mexico, 1968-1979, Office of the President, President's Files, George Meany, 1947-1960, Meany Labor Archives, University of Maryland, College Park.

<sup>196</sup> Ernest S. Lee to George Meany, 12 November 1969, Folder 39: Mexico, 1968-1979, Office of the President, President's Files, George Meany, 1947-1960, Meany Labor Archives, University of Maryland, College Park.

Labor also attempted to skirt a protracted debate on the merits of international trade and commerce by homing in on how private companies benefitted from government expertise and money to facilitate this movement. According to Meany and his subcommittee, CODAF abetted the BIP with funding from the American taxpayer “because ‘economic development’ involves attracting manufacturing to Mexico and spending U.S. public funds in Texas, Arizona, New Mexico, and Southern California to further ‘develop the U.S. Side of the border.’” This public investment helped a few “plants . . . to move to Laredo . . . for a few jobs on this side of the border.” But the AFL-CIO even qualified this relative success by suggesting that few Americans will find jobs because it was more likely that these new factories would employ “green carders,” which were Mexican citizens who commuted across the border line to work in American plants. Moreover, federal funding underwrote initiatives that led to the loss of American jobs. These plant relocations drew upon funding from the Economic Development Agency, which had promised “grants to Southern California.” Other major agencies, such as “HUD . . . spent money on these projects.”<sup>197</sup>

At the center of these disbursements was CODAF, since Telles and the other commissioners acted as brokers and mediators between local communities and the federal agencies. As a result, the AFL-CIO labeled CODAF as “a kind of internal lobby in the Executive branch for the Mexican border industrialization program.” This lobbying, moreover, did not benefit American workers, but instead used “U.S. Funds on this side of the border . . . that encourages plants on the other.” CODAF’s primary strength, its ability to coordinate funding and support from different federal agencies for local communities, hampered progress on the U.S.

<sup>197</sup>Robert A. Hurwitch to Robert A. Biemiller, 28 October 1968, Folder 39: Mexico, 1968-1979, Office of the President, President's Files, George Meany, 1947-1960, Meany Labor Archives, University of Maryland, College Park.



side. Money intended for education, sanitation, transportation, housing, and vocational training purportedly helped Americans, but really provided the physical and social infrastructure that helped American companies set up new operations on the Mexican side.<sup>198</sup>

CODAF officials responded to these claims by offering a very narrow definition of CODAF's powers and responsibilities, but an expansive definition of the U.S.-Mexico borderlands as an integrated economic region. On 20 October 1969, two CODAF officials named Charles Mayer and Robert Hurwitch, met with the legislative affairs department of the AFL-CIO. During this meeting, Mayer and Hurwitch forcefully stated that the "U.S. Section, has not, and does not, promote the Mexican Industrialization Program." They backed up their claim by pointing to the work of the commission, in particular the "Nathan Study" on borderlands' labor and natural resources. The AFL-CIO attacked the document as an advertising ploy for the BIP, but CODAF officials responded that there was only "a short chapter" devoted to the "Mexican Border Development Program and other development on our side of the border." CODAF, only spoke about the Mexican program in order to provide wider context for the problems that faced American workers. But they also argued that such a precaution was also necessary because American planners needed to take Mexican developments into account to better understand and solve the borderlands' economic problems. They attempted to reason with the AFL-CIO by suggesting that:

"since both sides of the border are so tied together in an economic sense . . . I think you will agree that study of the economic development of our border area without any

198. Ernest S. Lee to George Meany, 12 November 1969, Folder 39: Mexico, 1968-1979, Office of the President, President's Files, George Meany, 1947-1960, Meany Labor Archives, University of Maryland, College Park.

reference to developments on the Mexican side of the border would not be very useful or very practical, nor does such a study imply endorsement of the Mexican program.”<sup>199</sup>

CODAF reiterated its commitment to thinking about the U.S.-Mexico borderlands as a bilateral region tied together by language, environment, and economics. Knowledge of both sides of the border and cooperation between both governments were necessary tools to promote the well-being of the borderlands.

The AFL-CIO, however, did not budge in its contention that CODAF led to “runaway plants” that harmed the American economy. Labor leaders responded to CODAF in clear terms. The AFL-CIO contended that the idea of a joint labor study not only diverted money away from more worthwhile projects in the heartland, but also ignored the very real differences between the two countries. These differences--political, social, and most importantly economic--produced different conditions that made one side more favorable for investment. As one labor leader wrote: “the Mexican Border Industrialization Program is based on the concept of attracting U.S. firms to locate twin-plants with labor intensive production on the Mexican side and other production in the U.S.” Even though federal agencies such as CODAF did not actively participate in this program, their research and community building initiatives aided that goal. The study indicated that Mexico benefited entirely from any investment because of their looser labor and environmental standards. The conversation closed with a strong rebuke to CODAF: “The ‘Nathan Study’ said that manufacturing would locate on the Mexican side of the border and that public spending and subsidies were the only hope on the U.S. side of the border.” Any aid that flowed toward the border inflated hopes that American living standards would rise, but

199. Robert A. Hurwitch to Robert A. Biemiller, 28 October 1968, Folder 39: Mexico, 1968-1979, Office of the President, President's Files, George Meany, 1947-1960, Meany Labor Archives, University of Maryland, College Park.

ultimately aided the Mexican drive for industrial investment. CODAF became the main piece of evidence for an argument that explained how Mexican development along the U.S.-Mexico border was “diametrically opposed” to the health of the American economy.<sup>200</sup>

But supporters such as Barry Goldwater cheered CODAF and its ability to look at borderlands problems in their larger bilateral context. When Goldwater introduced the legislation in the Senate, he applauded the agency's ability to work with their Mexican counterparts. Goldwater stated that “for the first time in history, local, State and Federal technicians from both sides of the border have been brought together to consider the twin border cities in a single community context.” The regional thinking that undergirded the origin and development of CODAF was on full display during its hearings. But it was perhaps this contention that provoked labor's ire.<sup>201</sup>

An inviolable border became the bedrock of the AFL-CIO's opposition to CODAF. The labor union argued that any attention directed toward the borderlands ignored the very important differences between the two countries. Such a view, the AFL-CIO contended, was not xenophobic since the organization had “consistently supported friendship and cooperation with other countries.” These friendly diplomatic relationships, however, did not negate the importance of international boundaries. The AFL-CIO, according to one labor leader, “does not include the erasure of the border or the pretense that there are not economic differences even between cities that are located close to one another.” Any investment in the borderlands would flow towards the Mexican side of the border. The AFL-CIO promulgated an osmotic vision of trade and

200. Robert A. Hurwitch to Robert A. Biemiller, 28 October 1968, Folder 39: Mexico, 1968-1979, Office of the President, President's Files, George Meany, 1947-1960, Meany Labor Archives, University of Maryland, College Park.

201. Congressional Record, 19 October 1969,

development where all benefits ultimately accrued to the country whose comparative economic advantage was based on cheap labor and loose environmental standards. A prominent example of this thinking can be found in the organization's investigation of local border plants, which came to largely undergird their opposition to CODAF in the fall of 1969.

Throughout 1969, Meany's Subcommittee on Border Problems worked to establish a firm link between CODAF's operations and Mexico's Border Industrialization Program. The subcommittee abandoned trying to prove that CODAF directly convinced American companies to relocate. Now, the AFL-CIO attempted to provide evidence that CODAF's operations simply aided and indirectly encouraged border plants to proliferate. A legislative aide named Viron P. Vak informed the new CODAF commissioner, Tony Rodriguez about this strategy. Vak told Rodriguez that he encountered a "constant background wave of criticism of the Commission by organized labor." Labor representatives pressed legislators to oppose the bill all over the Washington, D. C., and an integral component of their strategy was to convince lawmakers that CODAF's work provided incentives for companies to build assembly plants in the borderlands.

The key piece of evidence for the charge that CODAF inadvertently aided the Border Industrialization program came from a dubious claim that CODAF provided money to train Mexican citizens to build electronics in assembly plants. The AFL-CIO distributed copies of their national newsletter, *The Machinist*, that detailed how CODAF allowed federal money to be used to build an electronics repair classroom in Mexicali, Baja California. This classroom allowed the Mexican community college to operate an electronics assembly program. According to the AFL-CIO, This new program created a workforce that could now work on the assembly lines in maquiladoras. Before CODAF allowed U.S. taxpayer money to fund this operation, American companies could not find skilled employees to hire. But CODAF's work facilitated

and supported Mexican industrialization at the expense of the American worker and taxpayer.

These claims alarmed many representatives. As a result, Congress undertook an investigation of the AFL-CIO's accusations.<sup>202</sup>

The AFL-CIO's claims were untrue because the training did not necessarily prepare people to work in entry-level or more advanced position in border assembly plants. Congress instructed an employee from the Office of Economic Opportunity named Paul Katz to investigate many of the AFL-CIO's claims in October of 1969. During his inquiry, Katz spoke with instructors, educational directors, and maquiladora supervisors in both the United States and Mexico. Katz discovered that community colleges in Calexico, California, and Mexicali, Baja California, agreed to share facilities and programming for their students. American students were allowed to attend programs in Mexicali that the college in Calexico lacked. In return, the Imperial Valley community college loaned a mobile electronics repair classroom to the Mexicali vocational school for a portion of the year. The training in this unit was related to TV and radio repair and did not teach the skills required for the technical work required in maquiladoras. The program eschewed that kind of training because its purpose was to "prepare generalists and not specialists."<sup>203</sup>

A discussion with the general manager of an electronics assembly plant further undermined the AFL-CIO's claims. According to Katz, the majority of entry-level employees

<sup>202</sup> A. F. Rodriguez to Viron P. Vak, 19 November 1969, folder Admin 2-1-Reports-Memos to President, box 3, Admin 1-3 Pending (Come-back copies) to Admin 2-1 Report Memos to President, United States-Mexico Border Commission, General Correspondence, 1966—1969, RG 43: Records of International Conferences, Commission, and Expositions, National Archives and Records Administration, College Park, MD.

<sup>203</sup> Paul Katz to Tom Cosgrove, 4 November 1969, Folder 39: Mexico, 1968-1979, Office of the President, President's Files, George Meany, 1947-1960, Meany Labor Archives, University of Maryland, College Park.

were women and the required electronics skills and knowledge for their positions were “nil.” In contrast, the students enrolled in the Mexicali program were mainly men. The general manager of the plant refuted the AFL-CIO's claims by telling Katz that the “mobile [electronics training] unit . . . . Could not provide him with the skilled help” necessary for the more technical jobs in the factory. Additionally, the company provided the training for entry-level assembly work at the plant . Katz concluded from his study that the “implication that there is a program to train workers for the ‘border plants’ using the OEO-funded mobile unit, in my judgment, is not valid.<sup>204</sup>”

But even if these claims were untrue, the negative publicity surrounding CODAF during most of the month pressured many legislators to sink the bill establishing CODAF as a permanent agency. In late October 1969, the Nixon Administration set up a four-person committee on the issue of border industrialization. Nixon selected the undersecretaries of labor, commerce, treasury, and state to develop suggestions on a host of issues related to the Mexican Border Industrialization Program. Amongst the first people to speak with this nascent group of officials was the AFL-CIO's Executive Subcommittee on Mexico Border Problems. The subcommittee also blanketed legislators with pamphlets and hearings. Ultimately, the pressure coming from the AFL-CIO cowed the Nixon administration, which put up a feeble show of support for the agency. In the end, the CODAF bill lost two voice votes in the first two weeks of November. By the end of 1969, the agency had packed up its office and turned off its lights.<sup>205</sup>

204. Paul Katz to Tom Cosgrove, 4 November 1969, Folder 39: Mexico, 1968-1979, Office of the President, President's Files, George Meany, 1947-1960, Meany Labor Archives, University of Maryland, College Park.

205. Howard D. Samuel, to AFL-CIO Executive Council Subcommittee on Mexico Problems, 9 October 1969.

*Conclusion*

In the spring of 1969 Raymond Telles instructed his aides to put together a brief legislative history of CODAF's attempt to secure permanent funding. The memo detailed every piece of legislation and comment delivered in favor or against it over the past year and a half. In its closing paragraph, the history read that the primary opponent in Congress was the U.S. labor movement. Telles asked his staff to draw up this document in preparation for what he thought would be a tough, but winnable legislative fight over the agency. Little did he know that the AFL-CIO successfully defeated the agency. But CODAF did not fall victim to just the AFL-CIO. A series of economic and political transformations allowed the AFL-CIO to successfully engineer CODAF's opposition.

The AFL-CIO successfully parlayed its influence with an untraditional Republican president to at first weaken, and then ultimately kill CODAF. As a result, this case study demonstrated how economic concerns remained an important consideration for the politics of the late 1960s. But the case study also represented the Democratic Party's willingness to experiment with postindustrial economic plans. It is important to note, however, that CODAF's demise was not the ultimate end for plans to industrialize the border. The movement of factories to the Mexican border zone accelerated dramatically in the 1970s and into the 1980s and 1990s. But now, American labor unions lacked a partner in the federal government that was willing to listen to its concerns. Now, free market principles replaced CODAF's larger ethos of planning to improve livelihoods along the border. The result was perhaps worse than anything the AFL-CIO had imagined. It is to that story what we now turn.

### Chapter 6: Maquila Growth and Opposition in the 1970s and 1980s

“I think that more and more people are thinking about Mexico as a place where jobs are going,” said James Florio, a Democratic congressional representative from New Jersey, in 1986. Florio explained that he talked “to auto workers on a regular basis, and they’re aware how much of the industry is moving to Mexico.” Across the aisle, a Republican representative from Ohio named Ralph Regula argued that it is not the “responsibility of taxpayers to subsidize an effort to move jobs to Mexico.” Regula then complained about maquilas specifically by explaining how “people in my district are losing jobs because of this program” and “we shouldn’t be using their tax dollars to promote it.”<sup>206</sup>

Both Florio and Regula were making arguments that Congress should defund what was known as “Expo Maquila 1986.” These Rust Belt legislators took umbrage over the fact that the Commerce Department mailed 38,000 invitations to American companies to attend a convention in Mexico that explained the mechanics and benefits of opening up a maquila in Mexico. A bipartisan coalition from the Northeast and Midwest passed an amendment to an appropriations bill that prohibited the Commerce Department from spending any money on the conference about maquilas.<sup>207</sup> This was a marked and visible victory for anti-maquila forces, but ultimately failed to diminish the flight of American companies to Mexico and other offshore locations.

During the debate, border representatives, like a Republican named Jim Kolbe, defended the expo and the “twin-plant” program against legislators from “smokestack states,” by arguing

<sup>206</sup> Peter Applebome, “U.S. Goods Made in Mexico Raise Concern on Loss of American Jobs,” *New York Times*, 29 December 1986.

<sup>207</sup> Peter Applebome, “U.S. Goods Made in Mexico Raise Concern on Loss of American Jobs,” *New York Times*, 29 December 1986.



that the money companies saved by opening up maquilas preserved jobs for 75,000 American workers. These workers generated 2.9 billion dollars in components and goods that were assembled in Mexico and then sold to American consumers. This allowed many companies to keep their main manufacturing facilities in the United States and not completely leave for places like Taiwan or Korea.

Boosters from El Paso— like Don Hagans, who ran a pro-maquila lobbying organization—argued that the program was invaluable because it meant that the U.S. only lost “some jobs to Mexico.” Maquilas also created, according to Hagans, “spinoff businesses” that improved American manufacturing competitiveness. The BIP was also a crucial economic lifeline for cities across the borderlands and, especially Texas, which had the most active connections to maquilas. Hagans stated that 1,627 suppliers in El Paso provided components for Juarez maquilas and that investment related to the program trailed only direct government investment in the amount of dollars generated in the municipal economy. While Rust-Belt legislators wrung their hands over plant closings, boosters and legislators continued to look to maquilas and their “twins” as the key to developing the economy of the borderland region and to eliminating poverty. Claims that maquilas created spillover jobs and businesses, however, were tough to substantiate.<sup>208</sup>

Growth in the maquiladoras industry consistently encountered firm opposition in the United States. Though maquila promoters like Don Hagans and Jim Kolbe in the U.S.-Mexico borderlands encouraged growth in the number of factories very quietly and discreetly, a major exposition designed to entice American companies to start new assembly operations in Mexico

<sup>208</sup> Peter Applebome, “U.S. Goods Made in Mexico Raise Concern on Loss of American Jobs,” *New York Times*, 29 December 1986.

created a major publicity setback for the maquila industry. Despite the growing controversy over plant-closings and capital flight, maquiladora operators defended maquilas as economic and spatial adjuncts of the economy of many border cities as well as the factories and plants of the industrial heartland. Though offshore, these plants were conceived as producing tangible economic benefits for workers and consumers in El Paso, Texas, and beyond. This chapter will examine how boosters and legislators argued that the “twin-plant” concept modernized the economy of the borderlands and maintained the competitiveness of American factories. Most notably, boosters used the unique spatial logic of borderland cities to make a case for how maquilas could benefit American companies, the economy, and uplift the entirety of the region.

This chapter will examine how boosters made these claims. It will then analyze how commenters and labor unions have criticized the development of maquilas. Third, it will examine how federal officials sought to use maquilas to reduce poverty in the borderlands. Next, it will look at the controversy over plant-closings to determine if boosters’ claims about plant relocations were true. Last, it will examine how Democrats used plant-closings as an important political issue in the 1988 Democratic election, but how these strategies ultimately favored globalization over the protection of the national economy. Ultimately, what these different sections aim to explain is how maquilas and their twins became the centerpiece of conservative visions for the economic modernization of the borderlands. What is most interesting about the shift in planning for maquilas, though, is how free-trade arguments for maquilas soon mirrored the economic aspirations of the more liberal Democratic Party. This confluence of views ultimately failed to improve the economic standing for most residents of the borderlands and failed to prevent the loss of jobs for industrial workers across the Midwest and Northeast.

*Twin Plants for Twin Cities: El Paso/Juarez and Maquila Recruitment*

After CODAF's demise, private entities and organizations continued to entice American companies to relocate their operations to the southern border. Since the early 1960s, El Paso business leaders were eager to recruit maquila operations for their nearby sister city.<sup>209</sup> American businesspeople and boosters proved to be some of the strongest supporters of the Border Industrialization Program. Major organizations that spanned the entire borderline, like the U.S. Border Cities Association heavily lobbied border governors and legislators to protect and expand the program.<sup>210</sup> The El Paso Chamber of Commerce became an early promoter of maquilas because local businessmen thought that "twin-plants" would be located in El Paso and generate jobs and revenue for the city. In fact, El Paso boosters favored the program so much that they persuaded Telles to pursue the possibility when he was head of CODAF. After CODAF's demise, El Paso boosters—through the office of John Tower, a Republican senator from Texas—pressed the Nixon administration to convince President Echeverria to expand the program in the early 1970s. Supporters of the BIP argued that maquila workers spent as much as 70% of their income in U.S. Stores. Researchers at the University of Texas at El Paso suggested that each new job in a Juarez maquila created 2.5 new jobs across the Rio Grande River in El Chuco. Because maquilas in Juarez generated so much new jobs and revenue in El Paso, local business leaders were apt to recruit and boost the development of maquilas in the neighboring city across the Rio Grande.<sup>211</sup>

Ciudad Juarez has long contained the largest concentration of maquilas. By the early 1980s, Juarez claimed nearly a quarter of all maquila factories. Over a third of all maquila

<sup>209</sup> Martinez, *Ciudad Juarez*, 131.

<sup>210</sup> Martinez, *Ciudad Juarez*, 132.

<sup>211</sup> Martinez, *Ciudad Juarez*, 131 and Border Trade Report, 25.

workers punched the clock in a Juarez factory.<sup>212</sup> The city's large number of facilities was the result of how Juarez leaders capitalized on PRONAF's potential early on. Specifically, the city leaders marketed the benefits of their hometown to "the United States company currently hard-pressed by imported products at low prices." Juarez provided relief for American companies who were dealing with an onslaught of cheap goods by providing a location "from which its domestic U.S. Market can be served with low cost competing products." And unlike other potential sites in the Pacific Rim, Juarez and the borderlands allowed for management control of the production and assembly process to be "much easier than in a distant foreign location." And Juarez also served as the entry point to "new export markets in rapidly growing Latin America." Unlike other export-processing locales across the world, Juarez offered low transportation costs to home-markets in the United States, the potential for cost-effective expansion into Central America and the rest of Latin America.<sup>213</sup> Juarez offered up a description of its advantages that appealed to American manufacturers who felt ensnared by rising labor costs and battered by Japanese competition. But the key to this selling point was Juarez's close physical proximity and deep business and technical ties to its northern sister-city, El Paso.

Early reports and literature touted the partnership of these cities as the key to keeping labor, transportation, and technical costs low for manufacturers in the U.S. and Central American markets. As a long-time railroad and steel-processing center, El Paso maintained cheap and direct connections to many other U.S. cities. And as the premier industrial center of the U.S.-Mexico borderlands, El Paso also had the personnel and companies needed to maintain and

<sup>212</sup> Border Trade Report, 25.

<sup>213</sup> Arthur D. Little de Mexico, *Industrial Opportunities for Ciudad Juarez (Report to the National Frontier Program of Mexico)* (Mexico City, 1964), 2.

supply maquilas.<sup>214</sup> Other locales along the border like McAllen or Nogales lacked the centralized transportation network and manufacturing and technical knowledge found in the Juarez-El Paso metroplex.

The symbiosis between the two cities could also lead to the development of unique manufacturing entities known as “twin plants,” which would provide immediate advantages for many American companies. While many other border cities and metroplexes were also floating this idea, Juarez boosters cited the “El Paso-Juarez area on the frontier,” as perhaps the only place where “single management” between plants in Mexico and the United States would “be possible.”<sup>215</sup> The unique geographical nexus of relatively low-cost Mexican labor and American technical expertise and consumer markets became exemplified in this unique spatial configuration for a manufacturing center. One American industrialist who had recently opened two maquilas stated that “the immediacy of supervision and technical coordination” that was available in border cities made them more desirable than other locations such as Hong Kong. The savings from labor and transportation allowed American companies “to compete effectively” with “products coming in from the Far East.” The benefits of the twin-plant drove another company to renege on “an option on a plant in Taiwan,” in favor of “the Mexican border area.”<sup>216</sup>

El Paso vigorously touted the benefits of the borderlands metroplex to American companies that were interested in setting up an assembly operation in Juarez. A yearly pamphlet produced by a subcommittee of the El Paso Chamber of Commerce provided numerous graphs,

<sup>214</sup> Little, *Industrial Opportunities*, 2-3.

<sup>215</sup> Little, *Industrial Opportunities*, 4 and El Paso Industrial Development Corporation, *El Paso/Juarez Twin Plant Concept Handbook, 1973-1974*, fifth edition (El Paso, Texas, 1974), 1.

<sup>216</sup> *Wall Street Journal*, 25 May 1967 and *Business Week*, 2 December 1967.

charts, and visual aids about the benefits of operating from El Paso/Juarez. A handful of picture spreads highlighted the close physical proximity of both cities. One two-page layout showed El Paso, Texas, on one side and Ciudad Juarez, Chihuahua, on the other side. In order to highlight how indistinguishable each city was from the other, the image contains a filled black line to denote the international boundary line. Maquilas and their operations stood on the one side of that black line. On the other side of the conspicuous black line, were the railroads, trucking companies, and other technical services that connected El Paso/Juarez to the cities of the American interior. The black line/border line highlighted how American companies could benefit from the low wages of Juarez, but not lose any of the technical or logistical advantages of operating in an American city.<sup>217</sup> Unlike other photographs of the borderline in places like Nogales, Arizona/Sonora, that emphasized the physical separation between the two countries, El Paso/Juarez boosters sought to emphasize the closeness of these two cities.

The El Paso Chamber of Commerce touted maquilas located across the Rio Grande as a critical part of the city's economy. According to researchers at the University of Texas at El Paso, maquilas indirectly generated nearly 21 million dollars in income and \$635,000 in municipal taxes for the city of El Paso, Texas.<sup>218</sup> Knowledgeable observers of the Mexican economy also suggested that American companies were wise to invest in certain parts of Mexico. Over the past twenty years, the Mexican GDP had tripled, from \$36 billion in 1940 to \$131 billion. Increased wealth meant that Mexicans had capital to invest in manufacturing, but also that Mexico was primed to become a key consumer market. Increased investment in the country could yield important dividends in the years to come. And once again, many boosters also

<sup>217</sup> *El Paso/Juarez Twin Plant Concept Handbook*, 4-5.

<sup>218</sup> Oscar Martinez, *Ciudad Juarez: The Saga of a Legendary Border City* (Tucson: University of Arizona Press, 2018), 132-133.

prognosticated that the rest of Latin America would soon follow suit. According to the development and trade analysts at Arthur Little, “the rapid recent growth of Mexico’s exports to Latin America with the establishment of the Latin American Free Trade Association presages an important future opportunity” for both Mexico and the United States. Increased economic growth though, also presented some challenges for the Mexican economy.

Increased population potentially imperiled the economic growth that Mexico had experienced over the past twenty years. At the same time that Mexico experienced dramatic economic growth, the population of the country increased by 75%. While many Mexicans now enjoyed higher living standards, a growing population meant that the pressure for higher wages and income meant increased productivity on behalf of the Mexican worker.<sup>219</sup> In order to maintain this type of economic growth amidst the burgeoning demographic boom, Mexico needed to create “20 new Monterreys,” which was a northern city and the longtime center of Mexican commerce and industry.<sup>220</sup> Northern Mexico, in particular, needed more investment to keep pace with the expanding population.

An influx of migrants to northern Mexico meant that cities like Juarez needed to create a vast number of jobs to keep pace with the growing population. Mexican leaders were apt to point out that Northern Mexico, which included Ciudad Juarez, was the primary beneficiary of the country’s economic and growth and population boom. Juarez boosters pointed out that “the rapid growth of Mexico has not taken place evenly all over the country, but it has been clearly limited” to Mexico City and “the northern frontier states.” The population of Juarez increased by 45% between 1950 and 1960. And only 1/3 of this expansion was the result natural increase. Instead,

<sup>219</sup> Little, *Industrial Opportunities*, 7 and *El Paso/Juarez Twin Plant Concept*, 3.

<sup>220</sup> Little, *Industrial Opportunities*, 7

the vast number of new Juarez residents were from the interior of Mexico. These migrants were attracted to Juarez because of the availability of non-agricultural work, and the city's proximity to the United States. This influx of new residents meant that Juarez's labor force increased from 42,000 to 95,000 workers. Both blessed and cursed with economic growth, Juarez needed foreign investment to stave off the crunch of more workers and less jobs.<sup>221</sup>

The potential job crunch, though, meant that workers were motivated and skilled. City leaders in Juarez boasted that "interviews with employers of industrial labor both in El Paso, Texas and Ciudad Juarez reflect an ease of trainability and high productivity. . . . as well as excellent manual dexterity."<sup>222</sup> The large workforce had significant tenure in industrial positions. Such a claim may strike some as farfetched, but the average migrant to Juarez had spent more than five years in the city. The likelihood that these former agricultural workers had experience in an industrial or commercial setting appeared highly-likely.<sup>223</sup> And the relatively low wage rates in Ciudad Juarez meant that companies whose products required "labor intensive operations" would benefit from Juarez's hardworking, experienced, but relatively low-cost workers.<sup>224</sup>

And the benefits of Ciudad Juarez-El Paso extended to the lives of managers and their families. American companies could save money by placing a sales manager and his staff in El Paso who would work out of an office located in that city, but be able to travel to Juarez

<sup>221</sup> Little, *Industrial Opportunities*, 7 and Jorge Bustamante, "Economic Importance of Mexico's Northern Border Region," in *Views Across the Border: The United States and Mexico*, ed. Stanley J. Ross (Albuquerque: University of New Mexico Press, 1978), 143.

<sup>222</sup> Little, *Industrial Opportunities*, 18 and Bustamante, "Economic Importance of Mexico's Border Region," 143, 151-152.

<sup>223</sup> Little, *Industrial Opportunities*, 18 and Maria Patricia Fernandez-Kelly, *For We Are Sold, I and My People* (Albany: State University of New York Press, 1983), 59.

<sup>224</sup> Little, *Industrial Opportunities*, 31



frequently to coordinate with production staff. Juarez boosters were optimistic that this would save money for many companies who would not have to travel to inspect the facilities of plants located in Pacific Rim countries. And it would also be intriguing for many middle-managers who could enjoy the amenities of a Sunbelt city while managing an off-shore operation. Boosters in Juarez often distributed handbooks to prospective companies with titles like *How to Invest and Live in Mexico* and *How to Do Business in Mexico*. These glossy brochures highlighted the ease and savings of operating a maquila operation out of the twin-city metroplex of Juarez-El Paso.<sup>225</sup>

#### *The Difficulties of Operating a Twin Plant*

Many companies that set up maquiladora operations in Juarez raved about the money they saved because they paid their labors much less than in the United States, but also found hidden costs that quickly added to their overhead. Ed Kerley, the owner of a camping equipment manufacturer said, “There is a tremendous possibility in this twin cities [sic] thing.” Kerley hired an advisor who worked with officials in El Paso and Juarez to develop a 300-page feasibility study for his company. The report listed savings for water, electricity, and transportation costs. Money saved in wages, however, proved to be the major way to reduce costs. Once a camper reached stores on the West Coast of the United States, Kerley estimated that he saved \$400 dollars for every unit delivered. Kerley heaped praise on the workers, who worked hard and learned the operations quickly, efficiently, and skillfully. It took little time for the Mexican workers in his plant to become highly-skilled in using the machines and equipment they needed.

<sup>225</sup> Little, *Industrial Opportunities*, 29.

These workers produced high-quality products and saved Kerley \$1.4 million dollars in payroll the first year.<sup>226</sup>

But hidden costs related to Mexico's social safety net as well as the informal costs of conducting business proved to be detrimental to many small manufacturers. Kerley complained that Mexican labor contracts required too much taxes for healthcare, severance pay, and other compensation benefits. Unionization compounded the cost of operating in Mexico even if wages were lower and productivity was higher. But Kerley complained that bribery and graft proved to be too unpredictable and expensive. Local officials were constantly asking for money to file permits or provide information. His company was required to retain the services of different firms and lawyers as a prerequisite for operating his maquila. Kerley stated that he was losing close to \$100,000 dollars a year after he posted savings in his first year. Electricity was cheap, but companies needed to purchase their own transformers and needed to pay to maintain connection to those services. His small company was unable to absorb all the ancillary costs of operating in Mexico and actually left Juarez after operating there for several years.

Kerley said that many boosters advertised the "twin-cities [*sic*] concept" as "peaches and cream," but small companies were unlikely to survive. Large companies like RCA and Sylvania could take advantage of the program with ease. Small companies, though, lacked the political connections and cash-on-hand to make the move profitable. Local officials were unlikely to shake down big name manufacturers. Sterling companies also had the engineering experience to handle the increased logistical and infrastructural needs of their maquilas. Unionization also had

<sup>226</sup> Interview with Ed Kerley, 1977, "Interview no. 339," Institute of Oral History, University of Texas at El Paso.

less of an impact on these companies, whose budgets could handle those costs.<sup>227</sup> But empirical evidence would suggest otherwise.

Numerous studies have demonstrated how maquiladora operators have flouted and circumvented Mexican labor laws to exploit their workers. After an employer worked for three months, they were entitled to join a union and obtain health insurance and other rights and privileges. Numerous anthropologists and sociologists have documented how maquiladora operators regularly laid off their workforce after 2 months. These workers were promptly rehired the following week. This cyclical turnover prevented workers from obtaining the protection of Mexican labor laws and allowed many companies to save a tremendous amount of money on taxes. Other studies have demonstrated that the embedded union representatives in many maquiladora plants were unresponsive to the concerns of workers and ignored or placated workers with complaints to please the plant managers and owners.<sup>228</sup>

Even with the drawbacks listed by Kerley, all of the benefits offered by Juarez and El Paso depended upon the export-processing zone or “twin-plant” concept. Such a zone, Juarez boosters explained was “an enclosed industrial area under customs control where imports of raw and semi-manufactured materials from anywhere in the world may be made without payment of duty.”<sup>229</sup> Such an explanation accords with similar definitions of the export-processing zone, but the researchers at Arthur Little encouraged Juarez boosters to emphasize that the legal arrangement was “designed and operated to encourage the rapid movement of goods across

<sup>227</sup> Interview with Ed Kerley, 1977, “Interview no. 339,” Institute of Oral History, University of Texas at El Paso.

<sup>228</sup> Alejandro Lugo, *Fragmented Lives, Assembled Parts: Culture, Capitalism, and Conquest at the U.S.-Mexico Border* (Austin: University of Texas Press, 2008), 174-181 and Fernandez-Kelly, *For We are Sold*, 123-126,

<sup>229</sup> Little, *Industrial Opportunities*, 28.

national frontiers and across the boundaries of the Zone itself.”<sup>230</sup> Even though a company’s plant was located in Mexico, the “Zone” allowed for American companies to move their components, salable products, and personnel quickly across the border for sale, marketing, design, or inspection in the United States. Even though many of the operations were offshore, the apparatus of the Zone made it feel like they were still operating within the United States. It was “offshore,” according to legal definitions, but for all intents and purposes was crucially linked to El Paso and the rest of the United States.

### *Maquiladoras and their Illusory Benefits for Borderlands Cities*

El Paso did not necessarily benefit from the increased investment and commerce even if the free-export processing zone linked American goods and manufacturers to the supply chain and domestic markets of the United States. Kerley argued that the promotion of twin-plants was “A cute trick they are doing right now,” and agreed that the “twin-plant concept” aided companies and manufacturer. But Kerley also stated that the concept hurt workers and the “U.S.-side.”<sup>231</sup> Ultimately the promise that the twin-plant would provide jobs for Americans and produce benefits for U.S. cities did not materialize. Plant owners and operators admitted that was the case, but local officials in El Paso also suggested that the opportunities maquilas provided for the U.S.-side of the border were illusory. A long-time financier and backer of different maquila said that most maquilas “really weren’t twin plants.” Instead it was just “assembly in Mexico from U.S. components.”<sup>232</sup> As a result, maquilas in Juarez offered very little actual benefits for

<sup>230</sup> Little, *Industrial Opportunities*, 28 and

<sup>231</sup> Interview with Ed Kerley 1977, “Interview no. 339,” Institute of Oral History, University of Texas at El Paso.

<sup>232</sup> Interview with Rudolph Miles by Homero Galicia, 2009, “Interview no. 1520,” Institute of Oral History, University of Texas at El Paso.

workers and residents in El Paso. Traders and brokers who tracked and verified U.S. components and the final consumer products found their services in high-demand, but the average skilled worker or technician in El Paso did not gain any employment or business benefits from maquilas.

El Pasoans did not benefit from maquiladoras and workers throughout the industrial heartland also saw that the benefits of the “twin-plant” concept diminished over time. Much American manufacturing remained intact throughout the industrial Midwest and Northeast when American companies began moving assembly operations to Mexico. This remained true at least partially for many years. Beginning in the late 1980s, many companies that operated maquilas began to seek supplies directly from companies and firms that were not subsidiaries of the corporation. Many textile maquilas, for example, began to purchase components directly from factories located in Miami and other parts of the non-unionized southeastern United States. Even if many American companies retained their core manufacturing processes at their longtime factories, the broader spatial reorganization of American industry frayed the tight supply chain between Juarez and American industrial plants in Bloomington, IN, Buffalo, NY, or Chicago, IL.

The passage of the North American Free Trade Agreement in 1992 severed the link between Juarez and America’s industrial heartland. Components from other countries were not entitled to a duty exemption once the final product entered the United States. According to one prominent El Paso broker, the real “twin” to many Juarez maquilas were American manufacturing facilities in the American heartland. In many cases, this was in the industrial Midwest and Northeast, but there were also closer “twins” in Phoenix, Arizona, and Dallas, Texas. The passage of the North American Free Trade Agreement, however, upended the relationship between Mexican maquilas and their American suppliers. Now, American companies who operated maquilas could import components from Taiwan or India without being levied an

impost.<sup>233</sup> This alteration had tremendous effects on American manufacturing and led to increased plant closings

Even if American manufacturing cities did not feel the pinch from maquilas as early as expected, border cities like El Paso failed to capitalize on the increased commerce and traffic that was moving through their cities. In 1968, the executive director of El Paso's Industrial Development Corporation bragged to federal officials about corporate interest in the twin-plant concept. El Paso advisors received between 1-20 requests per day for information about how to set up a twin-plant manufacturing operation in the El Paso-Ciudad Juarez metroplex. El Paso's push for twin plants resulted in thousands of jobs in Juarez and "a substantial number of new jobs in El Paso." These jobs, both in Mexico and the United States, would have been lost to other cities, such as Taiwan or Hong Kong. According to El Paso officials, maquilas and their American "twins" prevented the loss of jobs to other manufacturing sites across the Pacific Rim. Moreover, since these new plants were new operations and did not replace extant facilities within the U.S., it actually represented the creation of new managerial and technical jobs for Americans in El Paso. But when pressed about how many new "jobs for American supervisors on the American side" were created, the director admitted that "not many" new managerial posts were actually created in El Paso. This admission revealed that the actual economic benefits of the twin-plant concept were small if they existed at all. Instead, it pointed to the fact that El Paso

<sup>233</sup> Interview with Rudolph Miles by Homero Galicia, 2009, "Interview no. 1520," Institute of Oral History, University of Texas at El Paso and Kimberly Clausing, *Open: The Progressive Case for Free Trade, Immigration, and Global Capital* (Cambridge, MA: Harvard University Press, 2019), 96.

instead relied upon a reserve of laborers who worked for wages far below those of unionized industrial workers in the United States.<sup>234</sup>

Some labor economists suggested that El Paso and other border cities' reliance upon maquiladoras and their low-wages actually prevented growth in the long term. According to labor economists in the federal government, El Paso and Juarez were advertising themselves as places that housed a "surplus of labor" that allowed for "low wages." The draw was not the location, or the technical and logistical services found in El Paso, but its proximity to a workforce that suffered from low wages and large unemployment. Twin-plants exploited economic maladies and did not ameliorate the working and living conditions of borderlands residents. By advertising and fostering low wages and "labor peace," twin-plant boosters in El Paso and Juarez pursued a path that allowed plant owners, customs brokers, department store proprietors, and real estate developers to reap profits.<sup>235</sup> These profits, however, failed to circulate throughout the economy and provided a shaky and nearly non-existent base for future economic growth. Low-wages attracted cut-rate producers and factories and did not encourage the development of an increasingly sophisticated industrial structure.

Contrary to the claims of El Paso boosters and globalization-minded management consultants, maquilas did not offer many opportunities for border cities to expand and develop its industrial manufacturing base. Government observers commented that advertising low-wages would not bring in high-tech companies, but cut-rate factories that were more interested in

<sup>234</sup> *The Impact of Commuter Aliens along the Mexican and Canadian Borders: Hearings Before the Select Commission on Western Hemisphere Immigration: Part III, Brownsville, Texas, March 1-2, 1968; and Part IV, Detroit, Michigan, March 8, 1968* (Washington DC: GPO, 1968), 166-171.

<sup>235</sup> *The Impact of Commuter Aliens along the Mexican and Canadian Borders: Hearings Before the Select Commission on Western Hemisphere Immigration: Part III, Brownsville, Texas, March 1-2, 1968; and Part IV, Detroit, Michigan, March 8, 1968* (Washington DC: GPO, 1968), 166-171. 166-171 and Martinez, *Ciudad Juarez*, 129, 131.

cutting-costs and not in investing in the firm's physical plant and local workforce. These claims were borne out by the introduction of "shelter companies." Kerley mentioned some companies who performed these activities in the 1960s, but these operations began to really take off beginning in the 1980s. Shelter companies were Mexican-owned and operated firms that performed subcontracted work for companies. Oftentimes, they took in components from American "twins," but they were also likely to import the components from a third-party distributor. These "shelter plants," were notorious for their aged equipment and poor facilities. Many of these shelter companies also failed to register to avoid paying taxes completely. These shelter companies did not maintain a corresponding facility in the United States and their contracts with American companies were not permanent. Work in these factories ebbed and flowed according to the temporary demands of American corporations. Because these shelter plants did not have permanent clients or production processes, few companies invested heavily in equipment or its staff.<sup>236</sup> And it was equally unlikely for any of these firms to generate jobs for American workers. Maquilas did not offer a path for economic development for most people.

And maquilas failed to link workers' experience to the technical transformation of the Mexican economy. Many Mexican nationals rose to levels of middle-management in many maquilas, but plant managers still tended to be American. Many of these plant managers were Anglo, but a fair number were ethnic Mexicans who were born and/or raised in America. Many of these ethnic Mexican managers worked in U.S. facilities before being transferred to Juarez or other cities along the border. Others were undocumented migrants who gained experience in the United States and were selected by management to head up operations in a Mexican plant.<sup>237</sup> By

<sup>236</sup> Interview with Ed Kerley, 1977, "Interview no. 339," Institute of Oral History, University of Texas at El Paso and Kopinak, *Desert Capitalism*, 76

<sup>237</sup> Kopinak, *Desert Capitalism*, 57 a



all accounts, the economic and professional benefits of maquilas were not widespread and failed to produce many new jobs or economic benefits for most of the region's citizens. Far from being a panacea for the economic and social ills of the border region, maquilas and their twins were instead outgrowths and bulwarks of the region's economic inequality and exploitation.

*The New International Division of Labor and Hartke-Burke*

El Paso and Juarez boosters advertised maquiladoras and/or twin plants as a revolutionary concept, but the sales pitch was certainly not new. American companies had been relocating factories in search of cheaper wages and less union control since the 1930s.<sup>238</sup> Factories and assembly sites migrated from the core of Northeastern and Midwestern cities to outlying suburbs. Companies also fled to rural areas in the agricultural north as well as to towns and cities in the Sunbelt in search of cheap labor and favorable "business climates."<sup>239</sup>

Local boosters, economic theorists, and a set of Marxist-inclined commenters all seemed to agree that maquilas represented something new and novel in industrial development. Peter Drucker, a well-known management consultant that popularized "production-sharing" in the *Wall Street Journal* during the 1970s, heralded the maquila as a form of commerce and investment that would lead the Global South to develop consumer markets and robust industrial

<sup>238</sup> Jefferson Cowie, *Capital Moves: RCA's Seventy-Year Quest for Cheap Labor* (New York: Basic Books, 2002).

<sup>239</sup> Cowie, *Capital Moves*; Thomas Sugrue, *The Origins of the Urban Crisis: Race and Inequality in Postwar Detroit* (Princeton, NJ: Princeton University Press, 2014); and Elizabeth Tandy Shermer, *Sunbelt Capitalism: Phoenix and the Transformation of American Politics* (Philadelphia: University of Pennsylvania Press, 2013).

manufacturing facilities. Members of El Paso's Industrial Development Council similarly suggested that the "maquiladora is the spearhead in the restructuring of free-trade."<sup>240</sup>

The maquila, according to optimistic boosters and real estate developers in Texas, Chihuahua, and New Mexico would lead to nothing short of a complete "transformation in the world economy."<sup>241</sup> These local business officials echoed Drucker's aspirations by suggesting that maquilas and their infusion of capital and knowledge into the Mexican economy reconfigured the commercial relationships between developed countries and developing countries—like the United States and Mexico, respectively. At the annual trade conference convened by the El Paso Industrial Council, commenters described how the "poor countries" like Mexico once exported unfinished resources and materials. Now Mexico found itself exporting consumer goods and products and importing American agricultural products like corn and soy.<sup>242</sup> According to El Paso boosters and theorists like Drucker, this new type of commercial relationship spelled prosperity and benefits for both Mexico and the United States.

Production-sharing improved Mexico's workforce and industrial infrastructure. In just over two years, maquilas contributed 1.5 billion dollars to the Mexican economy. Many industrialists originally set up maquila operations to take advantage of relatively-low wages. Increased investment in maquilas as well as the local population's familiarity in working in different types of facilities meant that "quality of the workforce has increased," and could compete with workers in the United States and Pacific Rim. The skilled workforce meant that the

<sup>240</sup> Interview with Conference: The "Maquiladora" Industry in Mexico: Current Status and Prospects, 1979, "Interview no. 371," Institute of Oral History, University of Texas at El Paso.

<sup>241</sup> Interview with Conference: The "Maquiladora" Industry in Mexico: Current Status and Prospects, 1979, "Interview no. 371," Institute of Oral History, University of Texas at El Paso.

<sup>242</sup> Dara Orenstein, *Out of Stock: The Warehouse in the History of Capitalism* (Chicago: University of Chicago Press, 2019), 26 and Interview with Conference: The "Maquiladora" Industry in Mexico: Current Status and Prospects, 1979, "Interview no. 371," Institute of Oral History, University of Texas at El Paso.

workers in Juarez often commanded higher-wages than in Taiwan or Hong Kong, but cheap transportation and the experience that these facilities had in catering to the U.S. domestic market meant that it cost far less to deliver the final products to American consumers. These maquila insiders also made the dubious claim that the steady investment in maquilas meant that more Mexican nationals could train to “run plants.” This may have been true for maquilas that were opening in the country’s interior region, but it was extremely unlikely that maquila workers were going on to manage or even work in factories owned and operated by Mexican firms.<sup>243</sup>

But other commenters cast doubt on production-sharing and how effective it was in developing Mexico’s economy. Much like the El Paso official who admitted that maquila twin-plants would not produce very many jobs in the United States, these commenters suggested that maquilas only extended or disaggregated the assembly line process over space. It was not a revolution or a transformation in industrial or commercial practices, but instead the continuation of Taylorist efficiency and specialization practices spread out across the globe to take advantage of wage and unionization differences. Since the traditional management practices remained the same across an industrial map that spanned the globe, theorists dubbed this phenomenon the “international division of labour.<sup>244</sup>” Companies simply went to areas where there was surplus labor to exploit workers.

And others have pointed to the unique spatial architecture of the maquiladora and its twin-plant. Dara Orenstein has pointed out that as parts of foreign-export processing zones, maquilas and their twins were part of a long history of shielding the U.S. economy from the

<sup>243</sup> Interview with Conference: The “Maquiladora” Industry in Mexico: Current Status and Prospects, 1979, “Interview no. 371,” Institute of Oral History, University of Texas at El Paso.

<sup>244</sup> Folker Frobel, *The New International Division of Labour* (Cambridge, UK: Cambridge University Press, 1987), 198 10-14 and Kathryn Kopinak, *Desert Capitalism: Maquiladora’s in North America’s Western Industrial Corridor* (Tucson: University of Arizona Press, 1996), 23.

threat of cheap imports by cordoning off a section of territory to make it possible to manipulate foreign components into salable commodities without incurring any duties. Without the export-processing zone, it was unlikely that the maquila would have been desirable for many American corporations. The exemption for goods proved to be its most lucrative and valuable characteristic for American corporations.<sup>245</sup>

What all these interpretations miss is the way that the border functioned as a way to both separate and join Juarez and El Paso and by extension, Mexico and the United States. The nature of the maquila and their twin was the fact that it manipulated territorial space. In many ways, consumer products and their goods never left the United States. Maquila laborers, however, operated under the aegis of the Mexican state and its wage controls and labor law. Additionally, maquilas' location on the border meant that it could take advantage of direct transportation links to American cities.

In both its aspirational form (the maquila and its American twin in El Paso) and its more realistic form (the maquila and its suppliers in the interior U.S.), it both separated and joined space and sovereignty between both places. And while many export-processing zones proliferated across the world during the 1970s, the Mexican examples proved to be most successful in many regards because they informally annexed Mexican space for American goods and manufacturing. While other EPZs in Taiwan or Hong Kong may have provided more competitive wage rates, Mexican proximity to U.S. border cities and their links to interior cities meant that they were much closer logistically and spatially. The twin-plant system was surely a continuation of both the Taylorist assembly process as well as the free-trade zone, but it was its unique application on the borderlands that gave it its most effective and complicated spatial,

<sup>245</sup> Orenstein, *Out of Stock*, 217-221.

economic, and political form. While previous studies have highlighted “free-trade zones” as sites that were offshore economically, but existed “on-shore,” politically, it is important to consider maquilas and their twin-plants as the inverse. Maquilas were literally off-shore from the United States, but through TSUS 806. 3 and 807 functioned as if they were “onshore,” like the rest of the American economy.

Labor leaders and their allies in congress sought to capitalize on their defeat of COFAF by proposing a drastic set of revisions to U.S. tariff and trade policy that would have effectively ended the Border Industrialization Program. After the demise of CODAF in 1972, legislation in Congress sought to make imports unprofitable. The Foreign Trade and Investment Act of 1972 would have placed quota restraints on “everything.” The bill proved to be so drastic that commenters suggested that the act would have made the “Smoot-Hawley Act of 1930 look as if it might have been written by Adam Smith.”<sup>246</sup> At the heart of the bill was an effort to limit the total quantity of imported goods for any and all categories to the average annual quantity of goods that were imported between the years of 1965 and 1969. In effect, it sought to freeze the level of imports. And it also targeted maquilas more specifically by stipulating that American companies would be required to pay the duties on the full value of goods that entered the U.S. from in-bond plants in Mexico. No longer would companies be able to pay the reduced duty on the “value-added” by assembly operations.<sup>247</sup>

<sup>246</sup> Leonard Silk, “Economic Analysis,” *New York Times*, 12 January 1972; Martinez, *Ciudad Juarez*, 132; Cowie, *Capital Moves*, 193; and Judith Stein, *Pivotal Decade: How the United States Traded Factories for Finance in the Seventies* (New Haven: Yale University Press, 2010), 38.

<sup>247</sup> Leonard Silk, “Economic Analysis,” *New York Times*, 12 January 1972; Martinez, *Ciudad Juarez*, 132; Cowie, *Capital Moves*, 193; and Judith Stein, *Pivotal Decade: How the United States Traded Factories for Finance in the Seventies* (New Haven: Yale University Press, 2010), 38.

Introduced by two staunch labor allies, the bill depended upon support from workers opposed to liberal trade policies. Anti-liberal trade sentiment animated the opposition to CODAF in the late 1960s, but the animus toward these policies only seemed to strengthen as the U.S. entered the 1970s. Senator Vance Hartke, a Democrat from Indiana introduced the bill just after he announced his entrance into the Democratic primary for the upcoming 1972 election. Representative James A. Burke introduced the bill in the House of Representatives at the behest of Massachusetts shoe-workers, whose production was shifting to maquilas.

Shoe workers like Henry Pelletier felt the pinch when cheap imports flooded the market. Pelletier worked for Maine Shoe Company for 9 years and earned 200 dollars a week before the factory closed down in 1971. After finding a job as a cook, the former shoe worker now only earned 130 dollars a week. With a total of 7 kids, Pelleiter understandably struggled to get by on a drastically reduced income. Along with reduced earnings came the fact that cobblers like Pelletier often lost pensions that they had contributed to. The ramifications of closings had long-term as well as immediate economic effects. Other workers employed in shoe, radio, and apparel factories across the Northeast and Midwest also experienced prolonged unemployment and reduced incomes as a result of imports. For these workers, Hartke-Burke's limit to imports would help them regain those lost jobs.<sup>248</sup>

In some sectors of the party and nation, the bill's passage seemed like a foregone conclusion. The popularity of the bill proved to be so strong that "veteran Washington observers think that the Hartke-Burke bill has a 50-50 chance," despite the strength and scale of the

<sup>248</sup> Silk, "Economic Analysis"; Irwin Ross, "Labor's Big Push for Protectionism," *Fortune*, 1 March 1973; and Barry Bluestone and Bennett Harrison, *The Deindustrialization of America: Plant Closings, Community Abandonment, and the Dismantling of Basic Industry* (New York: Basic Books, 1982), 58.

protections it was proposing.<sup>249</sup> Persistent unemployment put pressure on many Democrats to support the bill and an insurgent wing of Democrats who wanted to win the nomination and beat Nixon meant that this bill became a cornerstone in the plan to undermine Nixon's New Economic Policy and to re-center the strength of labor in Democratic party politics.

But the Democratic Party was far from unified on the measure and the larger impulse to liberalize trade was too enticing for politicians on both sides of the aisle. Nixon and his allies charged that the bill was too sweeping and imprecise. Industrial leaders vociferously attacked the measure as a reactionary rehash of the economic isolationism of the 1930s. The bill, according to many observers, would "do nothing to . . . reduce total unemployment." Instead, the leaders of companies like the Ford Company suggested that the bill would "slow the flow of technology" and foreign investment.<sup>250</sup> And many in the Democratic party also were leery of any protectionist bills aimed to help labor unions.

Historians have long examined the woes of industrial workers at the beginning of the 1970s, but postindustrial "knowledge workers" also suffered during an economic downturn at the beginning of that decade. Historian Lily Geismer has documented how federal cutbacks in defense spending hammered communities of engineers and scientists in Southern California, Atlanta, and Boston. One of the areas that was hardest hit was due west of James A. Burke's district in Boston. Many knowledge workers for defense and pharmaceutical and companies in towns like Waltham, Lexington, and Needham, MA, had lost their jobs. These engineers were also living "day to day," but thought that the problems and solutions to their economic woes

<sup>249</sup> Silk, "Economic Analysis"; Irwin Ross, "Labor's Big Push for Protectionism," *Fortune*, 1 March 1973; and Barry Bluestone and Bennett Harrison, *The Deindustrialization of America: Plant Closings, Community Abandonment, and the Dismantling of Basic Industry* (New York: Basic Books, 1982), 58.

<sup>250</sup> Brendan Jones, "Business Leaders Assail Trade Bill," *New York Times*, 15 March 1972, 65.

were far different from the New England shoe workers and Indiana steelworkers that provided the momentum for the Hartke-Burke bill.<sup>251</sup>

Just a short drive from Boston and the key home district in Massachusetts, the newly-unemployed knowledge workers in the suburban and exurban communities along Boston's Route 128 seemed to occupy a different political and economic world than the industrial workers in Burke's Boston constituency. These workers favored more liberal trade policies that allowed for investment in technology and scientific research. Economic barriers did not help them boost capital to find new international markets for their high-tech products. And their support was critical for the success of Democratic candidates. High-tech enclaves and their workers were considered the "growth areas of American politics,"<sup>252</sup> and as a result would shape the ideologies and platforms of both parties. Increasingly, though, this constituency came to be key to many Democrats' strategies for electoral success.

And the larger global atmosphere surrounding trade also proved to be a powerful motivator of the bill's opposition. While workers across the industrial Midwest and Northeast clamored for the relief offered by Hartke-Burke, economists and policymakers nervously watched how the valuation of the dollar affected global trade patterns. In 1971, the United States recorded the first merchandise trade deficit since 1893. This led both Democrats to largely support Nixon's New Economic Policy, which did not maintain provisions for tariffs or strict trade restriction. Geared toward deflating the economy to reduce imports and encourage the export of American goods, the NEP used direct domestic controls, like a wage/price freeze, to tamp down on inflation. But the goal main goal of the NEP was to decouple the U.S. dollar to the

<sup>251</sup> Geismer, *Don't Blame Us*, 150-160, 161.

<sup>252</sup> Geismer, *Don't Blame Us*, 150-160, 161.



gold exchange rate. By ending the dollar's convertibility to gold, the U.S. dollar floated and helped U.S. products appear cheaper in foreign markets. NEP's rationale was based on trade and not restriction, though. The hope was that by depressing the economy, American companies could increase the supply of products whose prices would now be competitive in international markets. Tariffs and import quotas simply would not help the American economy and the high-tech manufacturers that drove its future growth. Democrats and Republicans largely agreed upon the issue and defeated Hartke-Burke soundly.<sup>253</sup> After the demise of CODAF and Hartke-Burke, the primary proponents of the maquila/twin plant system were Democrats. In fact, Lloyd Bentsen, a Democratic leader on finance and trade issues in the senate, and a native of McAllen, Texas, just across the border from a prominent export-processing zone in Reynosa, Tamaulipas, undertook a massive study on maquilas and free-trade zones in the hopes of expanding the program to achieve an old goal: the reduction of poverty in the U.S.-Mexico borderlands.<sup>254</sup>

*The International Trade Commission and the Continued Promise of Maquilas*

A congressional study headed by Lloyd Bentsen on trade and the economy of the U.S.-Mexico borderlands sought to expand maquilas to fuel economic growth and reduce poverty in the borderlands. After Congress defunded Expo Maquila 1986, promoters of the maquila/twin plant program felt they were on the ropes. Boosters throughout the borderlands put pressure on their representatives to shore up support for the program. Lloyd Bentsen, a Democratic senator from Texas, organized a committee called the International Trade Commission to study the issue

<sup>253</sup> Stein, *Pivotal Decade*, 30-42; Silk, "Economic Analysis"; and Jones, "Business Leaders Assail Trade Bill."

<sup>254</sup> United States International Trade Commission, *The Impact of Increased United States-Mexico Trade on Southwest Border Development* (Washington, DC: GPO, 1986), xiii.

of trade with Mexico along the border. Ostensibly about commerce and trade, it was really a document that sought to explain why maquilas were the key to the border region's economic development.

During its executive summary, the ITC highlighted how population and economic activity in the border region were centered in 14 twin-cities. Such a notion reinforced ideas about the border region and its economic development that began with CODAF's initial Nathan Report during the 1960s. But while the Nathan Report emphasized the long history of trade and commerce between these places and their role in the region's economic health, this committee singled out "maquiladora plants" as an "important factor" in the economies of the twin cities. CODAF's implicit argument for maquiladoras and their expansion became near gospel in Bentsen's analysis. Bentsen and his team firmly contended that "maquiladoras present[ed] the greatest prospect for the future growth of the twin cities."<sup>255</sup>

The trade committee cited Mexico's proactive trade promotion agenda and incentives for investment in the northern border regions. FTZs and a reduction in import controls initiated in 1984 helped make Mexico the third largest market for U.S. exports during the 1980s. While U.S. imports were once heavily regulated by the Mexican government, the acceleration of the maquila program encouraged them to relax these controls and to encourage more foreign investment in these plants. This reduction led to Mexico's accession to the GATT Treaty in the summer of 1986.<sup>256</sup>

<sup>255</sup>United States International Trade Commission, *The Impact of Increased United States-Mexico Trade on Southwest Border Development* (Washington, DC: GPO, 1986), xiii.

<sup>256</sup>United States International Trade Commission, *The Impact of Increased United States-Mexico Trade on Southwest Border Development* (Washington, DC: GPO, 1986), xiii.

<sup>256</sup>United States International Trade Commission, *The Impact of Increased United States-Mexico Trade on Southwest Border Development* (Washington, DC: GPO, 1986), xiii.

One of the economic mechanisms that facilitated trade with Mexico was the foreign trade zone or FTZ. Three of the nine legally-designated FTZs in the border zone were active and all nine were located at U.S.-Mexican border customs ports of entry. And none of these FTZs manufactured or assembled goods, but were instead focused on the storage and distribution of products and components. While FTZs were the key facet in CODAF's plans, local chambers of commerce were able to draw upon a patchwork of other commercial agreements to expand the growth of maquilas during the 1980s.

The more important aspect of the increased trade between Mexico and the United States were Items 806.3 and 807.00 of the United States Tariff Schedule. These two items stipulate that articles assembled abroad using components that originated in the United States are exempt from duties levied on value of the parts originally manufactured in the United States. 21% of all imports from Mexico fell under the exemptions of TSUS 806.3 and 807.00 and accounted for \$3.9 billion worth of trade.<sup>257</sup>

And even though the 806.30 and 807 were not necessarily directed at the regional growth of the U.S.-Mexico borderlands, they worked well with extant industrial recruitment machines and with the geographical proximity of the region to help build the economy. According to the report, the provisions simply helped border cities maintain their low costs "compared with most other foreign sources of imports," because the savings from the import exemption and transportation largely offset Mexico's relatively high labor costs when compared with regions like Hong Kong or Taiwan. For those reasons, the trade committee lauded these provisions as the key reason why "maquiladoras in Mexico's border communities helped the economies on both

<sup>257</sup> United States International Trade Commission, *The Impact of Increased United States-Mexico Trade on Southwest Border Development* (Washington, DC: GPO, 1986), xviii.

sides of the border.”<sup>258</sup> These TSUS provisions and other trade agreements, such as the U.S. and Mexico’s Multifiber Agreement partially propelled the growth of maquilas after the 1974-1975 recession. By the end of 1985, there were approximately 735 maquiladoras that employed over 200,000 people.<sup>259</sup> And optimistic reports produced by the international Trade Committee only suggested that future growth in the industry was inevitable.

The International Trade Committee opted to double-down on the growth of maquilas by highlighting proposals that encouraged companies to relocate to the border region. Many of these proposals “either reduce[d] taxes or eliminate[d] trade barriers for the products of firms that locate within the border region.”<sup>260</sup> Some of these proposals echoed CODAF’s binational industrial park proposal, while others proved to be far more ambitious and expansive. All three of these initiatives, however, failed to include a larger social vision for their economic plans.

The first proposal, productivity zones, sought to avoid the controversy of plants moving to Mexico by encouraging companies to set up their operations in the United States and to hire a fixed number of American employees. According to this proposal, companies needed to hire an equal number of American and Mexican employees. But this initiative also stipulated that Mexican workers could be paid the lesser Mexican minimum wage and not the federal U.S. minimum wage. Such a proposal proved to be controversial and unworkable according to much

<sup>258</sup> United States International Trade Commission, *The Impact of Increased United States-Mexico Trade on Southwest Border Development* (Washington, DC: GPO, 1986), xvii

<sup>259</sup> United States International Trade Commission, *The Impact of Increased United States-Mexico Trade on Southwest Border Development* (Washington, DC: GPO, 1986), xv.

<sup>260</sup> United States International Trade Commission, *The Impact of Increased United States-Mexico Trade on Southwest Border Development* (Washington, DC: GPO, 1986), xx.

labor law. But the trade committee singled it out as inefficient because its provisions to hire as many American workers simply encouraged more companies to move to Mexico.<sup>261</sup>

Another proposal that originated in the 1970s amongst Atari Democrats was the idea of an “enterprise zone.” These proposals designated regulatory and tax relief for businesses located within blighted areas. Even though such a proposal seemed logical, many analysts worried that it would shift unemployment and poverty to different points along the border zone since the pressure to locate in these zones was artificially stimulated by the government.<sup>262</sup>

The third major proposal proved to be the most ambitious and most problematic. The “United States-Mexico Border Revitalization Act” aimed to increase industrial investment in the borderlands and move toward the “creation of a free-trade area between the countries.” In contrast to other proposals, this initiative sought to label a 200-mile expanse on both sides of the U.S.-Mexico border as a type of free-trade zone. These new sites would receive extensive regulatory and tax relief as well as exemptions from all duties and imposts between the two countries. And it encouraged American and Mexican investment in equal amounts for any firms in the hope that capital would not just flee to Mexico to exploit Mexico’s cheaper wage rates. This proposal proved to be very popular amongst certain industries, like the textile and electronics industries. But many people worried that such a large area would tax the already weak Mexican trade infrastructure. Since cities like Los Angeles were included in the free zone, many observers thought that the flight of firms and expanded trade would overwhelm the roads and rail links to Mexico and lead to more pollution, overcrowding, and other urban problems in

<sup>261</sup> United States International Trade Commission, *The Impact of Increased United States-Mexico Trade on Southwest Border Development* (Washington, DC: GPO, 1986), xiii.

<sup>262</sup> United States International Trade Commission, *The Impact of Increased United States-Mexico Trade on Southwest Border Development* (Washington, DC: GPO, 1986), xx.

Mexican border cities. Other critics also pointed out that such a proposal also meant that a large amount of Mexican capital would have to leave that country, which posed significant political and legal risks for those firms and the politicians who facilitated their exit from the country.<sup>263</sup>

The last and most pragmatic example was an increase in the number of FTZs located along the U.S.-Mexico border. This proposal avoided entangling the federal government in any further questions about capital flight by simply drawing upon an extant tool. This proposal also avoided controversy by suggesting that these new FTZs would only be warehouses or other distribution points for existing maquiladoras operations in border town. This proposal promised to benefit American border communities the least and simply helped American companies re-import their products more easily and efficiently. The social benefits were non-existent and the commercial benefits marginal. But the opportunities it offered to expand the maquiladora program and its trade made it quite attractive to many businesspeople and government officials.<sup>264</sup>

But even these officials questioned the role that FTZs should play in the economic development of the U.S.-Mexico borderlands. The report was apt to point out that import levy exemptions under TSUS 806.3 and 807 were the key reasons that American companies relocated their operations to Mexican maquilas. For the past 125 years, border-wide economic programs or exemptions allowed trade between the two countries along the U.S.-Mexico border to exist in a type of quasi-free zone. This allowed for a fair degree of economic integration between the two countries. Railroads, cattle companies, and mining and smelting firms, regularly transported and

<sup>263</sup> United States International Trade Commission, *The Impact of Increased United States-Mexico Trade on Southwest Border Development* (Washington, DC: GPO, 1986), xxii.

<sup>264</sup> United States International Trade Commission, *The Impact of Increased United States-Mexico Trade on Southwest Border Development* (Washington, DC: GPO, 1986), xx.

traded in beef, vegetables, fruits, minerals, and steel in places like El Paso, Texas, and Douglas, Arizona, and Calexico, California. Increased trade fattened the wallets of many Mexican citizens who regularly visited American border cities to shop. El Paso's downtown merchants regularly recorded that 90% of their sales went to Mexican citizens. Various exemptions to duties and trade goods and favorable exchange rates between the peso and dollar all facilitated robust trade between these two countries. And while this trade maintained the health of the border economy, maquilas and U.S. trade policies that encouraged companies to set up maquilas only served to increase retail trade between the border cities, but also promised to link supply-chains in the Midwest to border economies and the distinct trade and commercial advantages they offered.<sup>265</sup>

Maquilas offered benefits for both countries, but also served widely different purposes within each country's larger economic plans. For Mexico, maquilas represented a way to eliminate their country's dependence on American imports and ensconce the *franca fronteriza* (frontier fringe) within the Mexican domestic economy. By building up industrial capacity, Mexican officials hoped that Mexican firms would one day be able to meet Mexicans' demands for consumer goods. Maquilas also reversed the flow of currency by attracting large amounts of American capital to Mexico. Greater stockpiles of capital also served the goal of making Mexican industry more independent and self-sufficient.

In contrast, American companies saw maquilas as a way to decrease the cost of manufacturing goods in the United States. The assembly work housed within maquilas was labor-intensive, but, according to those companies, were so-called low-skill jobs. Maquilas

<sup>265</sup> USITC, *Impact of Increased United States-Mexico Trade*, 9, 37, 89 and Geraldo L. Cadava, "The Other Migrants: Mexican Shoppers in American Borderlands," in *Race and Retail: Consumption Across the Color Line*, ed. Mia Bay and Anne Hyde (New Brunswick, NJ: Rutgers University Press, 2015), 57-76.

allowed companies to save heavily on production costs by taking advantage of the low wages in Mexico to perform some of the most labor-intensive and expensive tasks. The relative proximity of the U.S.-Mexico border also allowed companies to save on transportation costs. The labor-savings on the finishing processes of consumer goods, reduced transportation costs, and the tax savings due to TSUS 806.30 and 807 meant that these sites were spatial adjuncts to many factories located in the America's industrial heartland. Rather than being completely "off-shore," it is perhaps better to understand these sites as a type of contiguous industrial, if disjointed industrial space for American factories in Indiana, Illinois, and New Jersey. In other words, maquilas did not replace American industrial capacity, instead they modified and augmented domestic industrial production processes. Much like companies took advantage of tax incentives and low wages when they moved from Pennsylvania to Illinois, companies took advantage of these myriad benefits when they moved their assembly operations into a maquila. Rather than an exceptional form of international and global expansion, maquilas instead represented another phase of the Sunbelt's expansion.

*Plant-Closings and "Liberalism on the Cheap"*

Boosters in El Paso, Washington, D.C., and Mexico City plugged the wonderful opportunities that maquilas presented to companies and local communities, but workers and industrial researchers cast serious doubt on those claims during the 1980s. Workers, in particular, raised many alarms about the usefulness of maquilas to the Mexican economy and challenged maquila operators in both formal and informal ways.<sup>266</sup> But American workers and their allies in

<sup>266</sup> For more on worker resistance, see Devon G. Pena, *The Terror of the Machine: Technology, Work, Gender, and Ecology on the U.S.-Mexico Border* (Austin: CMAS Books, 1997); Alejandro Lugo, *Fragmented Lives, Assembled Parts: Culture, Capitalism, and Conquest at the U.S.-Mexico Border*



who studied the relationship between labor and management also questioned the efficacy of relocating industries from the American Heartland to border cities.

During the late-1980s, pressure from global trade forced many mid-sized firms across the industrial Northeast and Midwest to consider moving some or part of their operations into a maquila. One such example includes an auto parts manufacturer in Buffalo, NY, named Trico Products. In November 1985 Trico Products announced that they were closing their plant in Buffalo and moving their assembly operations to Mexico and Texas to remain competitive. This closure meant that 1,400 out of 2,000 workers would lose their jobs. Trico managers, however, pointed to the loss of \$28 million dollars over the past four years and Detroit car manufacturers' demands to cut costs by 30% as evidence that this relocation was necessary for the long-term health and productivity of the company. Trico had operated in Buffalo since 1917, so the news of its pending relocation caused shockwaves throughout the region. Upon hearing the news, researchers at Cornell suggested the company undertake a new process to reduce costs and improve overall production quality. <sup>267</sup>

Studies conducted by economists and industrial sociologists at Cornell University provided concrete data that investing in maquila operations were financially risky in both the short and long terms. The Cornell researchers assembled teams of workers and plant managers to

(Austin: University of Texas Press, 2008); Maria Patricia Fernandez-Kelly, *For We Are Sold, I and My People* (Albany: SUNY Press, 1983), Jane L. Collins, *Threads: Gender, Labor, and Power in the Global Apparel Industry* (Chicago: University of Chicago Press, 2003); Carolyn Tuttle, *Mexican Women in American Factories: Free Trade and Exploitation on the Border* (Austin: University of Texas Press, 2012); Leslie Salzinger, *Genders in Production: Making w Workers in Mexico's Global Factories* (Berkeley: University of California Press, 2003); Alicia Schmidt Camacho, *Migrant Imaginaries: Latino Cultural Politics in the U.S.-Mexico Borderlands* (New York: NYU Press, 2008); and Jefferson Cowie, *Capital Moves: RCA's Seventy-Year Quest for Cheap Labor* (New York: New Press, 2001).

<sup>267</sup>Peter M. Lazes, "International Competition and the Organization of Production: The Study Action Team Process at Trico Products," in *Restructuring and Emerging Patters of Industrial Relations*, Stephen Sleight, ed. (Kalamazoo, MI: W.E. Upjohn Institute for Employment Research, 1993), 79-90 and Sklair, *Assembling for Production*, 184.

study processes, systems, and tools to bring down costs and improve quality. Over the course of several months, these teams developed plans that reduced operating costs by 9 million dollars a year. These reductions represented a substantial savings when compared to the cost of building a new plant, acquiring new machinery, and training more workers. Additionally, the opening of a maquila meant that the company would invest less in upgrading its equipment and processes and erode the company's technological superiority and any savings that result from improvements. Middle managers, union officials, workers, and the Cornell researchers considered the plan to move operations to Mexico as "economically unsound."<sup>268</sup>

Despite these analyses, Trico still opted to move its assembly processes to a maquila. The company had already spent \$5 million dollars on construction costs for a new plant in Matamoros and did not want to lose out on that initial investment. Company leaders, however, implemented many of the proposed improvements to the manufacturing process. This led the company to keep 900 jobs in Buffalo as they shifted the majority of their assembly operations to Mexico. The motivations for the company remain unclear. Despite the increased savings, Trico leaders balked when presented with a wage increase and resisted suggestions for more worker control and inputs. Costs and savings may have played a role in the company's decision to move. But the company's plans also suggest that Trico aimed to seek "new reservoirs of controllable labor."<sup>269</sup> The constant search for cheaper and less vocal workers led to a drastic increase of plant closings and relocations during the 1980s. And the constant threat posed by these moves catapulted the issue into the political limelight upon the eve of the 1988 election.

<sup>268</sup> Lazes, "International Competition," 82-84.

<sup>269</sup> Lazes, "International Competition," 89 and Cowie, *Capital Moves*, 4.

The larger issue of trade and the related controversy over plant closings were visible issues during the 1988 election season. And Democratic lawmakers fused these two concerns together by introducing a trade bill with a provision that required employers to provide advance notice to workers if they planned on restructuring their operations. Officially titled the Worker Adjustment and Retraining Notification Act, the law was colloquially known as the Plant-Closing Bill and required companies to provide notice that a facility was closing at least 90 days prior to locking its doors. Labor advocates and their liberal allies in Congress cited issues of equity and said that the notice reduced unemployment by providing workers enough time to find new jobs. It also helped companies maintain productivity since many workers simply stopped coming to work when companies announced a closure with short notice. At first, Republicans balked at the provision and Ronald Reagan vetoed the bill because of it. A narrowly-lost veto vote motivated Democrats to try once again and introduce the bill as standalone provision. Upon its introduction, polls placed public support of the bill at nearly 80%.<sup>270</sup> It was difficult for many Republicans to oppose the bill, but Democratic support, while highly visible also proved to be quite tepid.

While Democrats touted the bill in an election year, the floor leaders dispensed away the provision's teeth to finish a deal on trade. Support for the bill within the Democratic Party split along regional lines. Liberal stalwarts from the Northeast like Ted Kennedy stood fast on the bill, but Democratic leaders from the South and West, like Lloyd Bentsen of Texas, were eager to reduce the bill's 90-day notification window to 45 or 60 days. While still detached from the trade bill wending its way toward Congress, Sunbelt politicians like Bentsen wanted to use the bill to

<sup>270</sup> Douglas Harbrecht, "A Steamroller Called the Plant-Closing Bill," *Business Week*, 4 July 1988. For more on Dukakis and Atari Democrats, see Geismer, *Don't Blame Us*.

negotiate with many Republican senators who thought that liberalized trade barriers would harm their agricultural or industrial states. Bentsen and his free-trade allies eventually prevailed when the senator from Texas won his free-trade concessions, but this meant that the plant closing bill required employers to only provide 60 days prior notice of potential layoffs or closures. But Democrats also succumbed to Republican pressure by including a host of provisions and exemptions that rendered the bill virtually useless. Just a few years after the bill's passage, labor analysts and commenters viewed the bill as a failure. Loopholes meant that in 54% of plant closures workers did not receive any advance notice.<sup>271</sup> The two-month notification window also failed to dampen unemployment numbers. While many of these issues are multi-faceted and do not hinge entirely upon an employer providing advanced notice, the important thing to keep in mind is the overall tepid support Democrats provided for the plant-closing bill.<sup>272</sup> Despite their public support of the bill, the party prioritized trade issues ahead of labor concerns. This harkens back to the many of the initial proposals developed by CODAF in the 1960s. The preference for trade and commerce and a reliance upon private industry to grow the economy had a long history in the borderlands and the rest of the country, but would crystallize on the national stage with the Michael Dukakis's presidential campaign.

Michael Dukakis's campaign is often heralded as a new moment in the politics of the Democratic Party, but really should be seen as a continuation of processes that began in the 1960s and perhaps even earlier. One news outlet described Dukakis's governing philosophy as "liberalism on the cheap." The "Duke,"—an appellation conferred by the media upon the

<sup>271</sup> John T. Addison and McKinley L. Blackburn, "The Worker Adjustment and Retraining Notification Act: Effects on Notice Provision," *Industrial and Labor Relations Review* 47 (July 1994): 650-662 and "Warn Workers," *Chicago Tribune*, 7 March 1993.

<sup>272</sup> Douglas Harbrecht, "A Steamroller Called the Plant-Closing Bill," *Business Week*, 4 July 1988

governor from Massachusetts—eschewed the traditional social programs and spending of the Great Society and New Deal. Instead he focused on making “competitiveness” the “new mantra of the New Age Democrats.” Unlike Republicans, however, competitiveness did not connote deregulation and the shrinking of the government, but instead a state-led revitalization of the economy through a coherent set of policies developed in tandem with labor and business. And most importantly, these agreements should target and focus on regions with slumping economies. The federal and state governments would interact with local business and labor groups to develop a regional planning programs that targeted education, job training, and other issues aimed at making these flagging regions competitive once again. Such plans were considered liberal because the state took a proactive approach and did not simply cut taxes or loosen regulations. But also “on the cheap” because it relied heavily upon private industry to be the main catalyst in improving the standard of living and social safety net. The government served the people through initiatives designed to stimulate manufacturing and trade and not through programs geared toward the direct welfare and well-being of citizens.

Even though Dukakis’s “liberalism on the cheap” struck many observers in the 1980s as a departure from the heady days of social reform and government expansion that characterized the New Deal and Great Society agendas, this study reveals the larger continuity between the emergence of the technocratic Atari wing of the Democratic Party and its Great Society roots. Dukakis and his ideology are often couched in an understanding of how affluence and education transformed the main wing of the Democratic Party.<sup>273</sup> But even my cursory analysis of Dukakis’s campaign suggest that much like Telles and his colleagues at CODAF, Dukakis and

<sup>273</sup> Geismer, *Don't Blame Us*, 274-278 and Sean Wilentz, *The Age of Reagan: A History, 1974-2008*, 268-272.

his advisors sought an answer to the poverty and underdevelopment that afflicted certain regions of the country. And much like Telles, Dukakis and his wing of the party failed to see the core causes of destitution and instead sought to empower private industry as the primary engine for reducing poverty.

Rather than a break, Dukakis and his campaign represented a long history within the Democratic Party of the state empowering private industry to move, shift, or restructure their operations in order to maintain profitability, but also to advance the material well-being of workers. And these liberal understandings of poverty were both regional and spatial. Democrats have long associated systemic and chronic poverty with the economic underperformance of certain regions. Whether that was the U.S. South in the 1930s, the borderlands and Appalachia in the 1960s, or the Monongahela Valley in the 1980s, Democrats have looked for ways that regional politics, environments, and systems have stymied growth. Regional planning consistently emerges as an optimistic, but ultimately failed tool to tackle these regional issues. It is not the regional approach that fails, but the underlying reluctance to address the regional power structures that actively inhibit and stymie the economic advancement of non-white people.

Historians have come to associate the Great Society and the War on Poverty with the ways that it expanded the state's power to surveil and criminalize through the guise of welfare and community enrichment programs, but it is also important to consider how the state also worked to advance the interests of corporations and businesses in exchange for reductions in poverty, unemployment, and under-industrialization.<sup>274</sup> This Faustian bargain was struck much earlier than the 1980s. In the 1960s, Telles and his sub-commissioners in CODAF turned to local chambers of commerce and business groups for advice on how to improve the standard of living.

<sup>274</sup> Hinton, *From the War on Poverty to the War on Crime*.

CODAF considered proposals that tackled poverty from a variety of stances, but the agency's core vision relied heavily upon private industry to ameliorate the economic problems of the area. "Liberalism on the cheap" refers to the Atari Democrats' tendency to slash budgets for social welfare, but when applied to the broad sweep of Democratic thinking about poverty, it can also refer to how liberals expended little effort or energy in tackling the core issues that perpetuated poverty in the U.S.-Mexico borderlands, Appalachia, and urban areas across the country. Instead of a robust vision for economic and political equality for non-Anglo people, the long history of maquilas and poverty in the borderlands reveals how regional planning were embedded within a larger vision that centered globalized trade and the flight of capital. Historians often point to the 1980s as the beginning of a globalized post-industrial economy, but many bureaucrats and officials that worked within the Democratic Party's quest to eradicate poverty in the 1960s thought that globalized trade would erase inequality and deprivation. Their inability to address issues of discrimination and environmental limits ensured that all efforts to tackle the systemic issues that perpetuated poverty would be half-measures.

### Chapter 7: Epilogue: Maquiladoras in an Era of Free Trade

The economic and technological benefits that maquiladora boosters and planners promised in the 1960s and 1970s failed to materialize during those decades. And during the 1970s and 1980s, the economic conditions in cities and towns across the borderlands region steadily worsened. The United States experienced several economic recessions during the 1970s and 1980s. Mexico also grappled with several peso devaluations that made their exports more profitable, but also weakened the purchasing power of many Mexican consumers. Contrary to their promises, maquilas failed to produce substantive improvements or advancements in the local economy. And while wages paid in maquilas were still higher than comparable jobs in border cities, they failed to produce widespread tangible benefits for Americans.

The 1992 North American Free Trade Agreement portended ill effects for American workers, but it left maquiladoras and their operation relatively untouched. NAFTA, in many regards did not alter much in the overall trade relationship between the United States and Mexico and when it did it largely favored American exporters. This was because Mexico had a much more protectionist stance than the United States. Prior to NAFTA, Mexico had tariffs on about 10% of all U.S. imports. The U.S. only levied imposts on 4% of Mexican goods entering the United States. Since NAFTA aimed to equalize the tariff barriers between the two countries, the subsequent elimination of many of Mexican tariffs ultimately became a boon for American manufacturers and agricultural exporters. In many ways, NAFTA did not directly cause the economic dislocations that many had assumed. Plant closings and job losses began in the 1960 and 1970s, much earlier than many post-NAFTA observers actually realize. But in many



respects, NAFTA failed to deliver upon its promises to many developing economies across the world.

Suggestions that NAFTA would lead to increased investment in technology and employee training for many maquilas did not come to fruition. Instead, companies recalibrated their supply chains and moved more operations back to the United States or Canada and consigned maquilas to the assembly work that they had specialized in for the past two decades. The argument that many American citizens would provide technical and engineering support for maquilas from nearby border cities also failed to materialize.. Maquiladora managers in Nogales, Sonora, that were interviewed by sociologists in the 1990s suggested that their plants were “designated” as sites for “low-wage production” within the larger supply chains of their multinational firms. Increased investment in the plants would have required better infrastructure to power the plants and a sustained investment in Mexican employees to maintain the technology. For many companies, these types of investment were still not worthwhile even in the context of NAFTA’s “free-trade” policies. Overall, maquilas failed to make a substantive impact in developing the economy of the borderlands region.<sup>275</sup>

But that did not stop “production-sharing” boosters from extolling the virtues of assembly operations. Proponents of globalization told people to bide their time as investment in these sites would eventually yield more and better-paying jobs.<sup>276</sup> Nicholas Kristof—a prominent commentator and columnist that specialized in issues of human rights, globalization, and trade—recounted how when he first visited China in the early 1980s he was shocked and repulsed by how hard women worked in a factory that assembled purses. Women labored for 12 hours a day

<sup>275</sup> Kimberly Clausing, *Open: The Progressive Case for Free Trade, Immigration, and Global Capital* (Cambridge, MA: Harvard University Press, 2019), 96 and Kopinak, *Desert Capitalism*, 118-121.

<sup>276</sup> Nicholas Kristof, “Two Cheers for Sweatshops,” *New York Times*, 24 September 2000.

seven days a week for a week's wages of \$50.00. But Kristof then admitted that he fretted too much about these assembly operations because "sweatshops tended to generate the wealth to solve the problems they created."<sup>277</sup> When he visited China several years later he found that continual profits had led employers to raise weekly wages to \$250.00. Child labor and crushing work schedules plummeted as factories fought to retain the best workers. In this view, "production-sharing" fulfilled the best predictions laid out by Arthur Little consultants and federal diplomats in the 1960s.

And progressives continue to echo claims about "production-sharing's" benefits for American workers and companies. Many progressive advocates for trade, immigration, and capital mobility continue to offer a version of the "binational industrial park" claim about the benefits of offshoring some aspects of the production process. One economist suggested that Chinese workers that assembled iPhones for the Apple Corporation only contributed 2% of the final product's total value. Highly-paid engineers and designers in Menlo Park, California, added 58% of the iPhone's final market value through their labor. According to this economist the assembly of the final product meant that "Apple keeps most of its high-wage jobs, including engineering, design, finance, marketing, and management in the United States." This arrangement benefited both Chinese and Mexican workers. This claim rings eerily close to many of the pitches delivered for maquilas and their twin plants. The law of comparative advantage meant that the most labor-intensive phase of the production process was assigned to the workers that earned the lowest wages. This freed up more capital for technological investment and

<sup>277</sup> Kristof, "Two Cheers."

economic development. It was a win-win arrangement despite its drawbacks for many developing countries.<sup>278</sup>

And even if full-blown prosperity proved to be an elusive outcome, boosters still clung to the idea that maquilas and similar operations could provide minimal benefits for workers. In the same article Kristoff admitted that assembly operations in China and Vietnam, could be brutal and unforgiving places. But Kristoff then doubled-down on his contention by suggesting that “for all the misery they can engender, sweatshops at least offer a precarious escape from the poverty that is the developing world’s greatest problem.” Kristoff compared India, which resisted foreign investment and did not permit the creation of assembly operations to other countries, like Korea and Mexico that accepted “sweatshops as the price of development.” Countries like Korea and Mexico were on the whole much better off, with lower rates of infant mortality and higher levels of education than holdouts like India. For liberals and progressives like Kristoff, some development, no matter how flawed, was better than none.<sup>279</sup> But these prognostications about the future of trade and development failed to acknowledge how technology was changing the manufacturing process.

Larger structural changes in the economy led many obsolete companies to shed their workers. The past thirty years has represented a dramatic shift away from analog machines to the digital technologies that characterize modern industry, commerce, and life. Kodak, once one of the largest companies in the world and the employer of a vast army of workers in Rochester, New York, saw much of the company’s core business drain away as consumers abandoned cameras with photographic film for products that captured images digitally. Similarly, there is

<sup>278</sup> Clausing, *Open*, 80-82.

<sup>279</sup> Kristof, “Two Cheers.”

little consumer demand for many legacy industries like typewriters, telephone consoles, maps and atlases, and print media. The advent of semi-processors that can be embedded in all types of devices has made demand for many of those items obsolete. And with this obsolescence comes economic pain for many people. Such pain, however, is short-lived because workers are then redirected into more productive and profitable industries. And while some economists portray this process of “creative destruction” as real, but temporary they proffer far less rosy assessments for how technological change will affect workers.<sup>280</sup>

Technological change remains the most consistent reason that American companies employ fewer workers. For many non-textile or apparel companies, machine labor is much more efficient. Machines never get sick, learn processes relatively quick, and do not need pay raises, health insurance, or retirement benefits. These pressures to mechanize can be felt across the globe. Countries across the Global South, like China, Malaysia, and Mexico report that manufacturing is becoming a smaller and less important part of their overall economy. And while technology-aided manufacturing often means less flesh-and-blood workers on the land, it does become an important reason to return manufacturing to the United States.<sup>281</sup>

American companies who seek to implement more machine-based manufacturing require better infrastructure and workers that are familiar with computers. A company that built high-tech, Wi-Fi enabled water heaters relocated their operations from China to Louisville, KY, to take advantage of skilled workers who could help streamline the production process. By adopting more technology, the average time to produce a water heater went down by ten hours. This reduction in production time, coupled with the short drive to the company’s warehouse meant

<sup>280</sup> Clausing, *Open*, 80-82.

<sup>281</sup> Clausing, *Open*, 26, 83, 88

that production costs declined by 25%. But it is important to keep in mind that in this mode, machines became the primary assemblers on the line and workers simply aided those machines in the process. These types of operations require less and less labor. By all accounts, manufacturing will become more automated and a less robust sector of many economies across the developing and developed world.<sup>282</sup>

Unless it is a textile or apparel operation, the future augurs that machines will steadily overtake people as the primary manufacturers on factory lines, which makes any assessment about an American manufacturing renaissance unlikely. A much ballyhooed Foxconn television factory in Mount Pleasant, Wisconsin, cost the Badger State nearly 4.5 billion dollar in subsidies and giveaways. The deal, brokered by President Donald Trump in 2017, promised to create 13,000 jobs. As of 2020, the plant employed only 45 workers to assemble television parts that are built in Foxconn's Tijuana plant; a maquiladora operation in reverse. By all accounts, it is unlikely that Foxconn will ever make good on its promise because the costs of investing so heavily in high-tech manufacturing makes little sense when coupled with the high wages American workers command. <sup>283</sup> Punitive trade policy or threadbare supply chains are unlikely to change the calculus for most companies. The U.S. Trade representative, Robert E. Lighthizer, argued recently that “the path to generating jobs and prosperity is the same for our companies and it is for our workers.” And this path relies upon “bringing jobs back to America.”<sup>284</sup> These jobs, according to many re-shoring advocates, will be replicas of the high-paying technical and manufacturing jobs that once populated the massive Kodak-Eastman complex in Rochester, New

<sup>282</sup> Chad Broughton, *Boom, Bust, Exodus: The Rust Belt, Maquilas, and a Tale of Two Cities* (New York: Oxford University Press, 2015), 292-293 .

<sup>283</sup> Austin Carr, “Inside Wisconsin’s Disastrous \$4.5 Billion Deal with Foxconn,” *Bloomberg Businessweek*, 6 February 2019.

<sup>284</sup> Robert E. Lighthizer, “The Era of Offshoring U.S. Jobs Is Over,” *New York Times*, 11 May 2020.

York or the River Rouge Plant in Dearborn, Michigan. Those types of jobs and that type of manufacturing process is becoming increasingly antiquated and it unlikely that any deals or trade policies can reverse the growing investment in technology. Maquiladoras and their twins offer a glimpse into the future of manufacturing in many parts of the globe.

Closer to the U.S.-Mexico border, local boosters similarly praised maquiladoras for the so-called benefits they wrought for local workers, even when these workers contradicted these claims by publicizing the poor working conditions and low standard of living. During the late 1990s, a group of maquila workers that called themselves Grupo Factor X arranged for a group of San Diegans to meet with Manuel Garcia Lespe, Tijuana's Director of Economic Development. Women who worked in maquiladoras and resided in Tijuana's westside colonias formed Grupo Factor X to advocate for better working conditions, better pay, for more public infrastructure—such as more plumbing, paved roads, indoor electricity—and for companies to clean up the environmental damage they caused. Grupo Factor X and organized border tours and maquiladora tours for Americans and Mexicans concerned about environmental and labor issues.<sup>285</sup>

During one such meeting, residents from San Diego pressed Garcia Lespe about the living and working conditions of maquila workers. When these visitors asked about reports of unpaved roads, lack of sewers, and electricity, Garcia Lespe brushed off these concerns by saying that the “population is growing faster than the services” the city could provide. But Garcia Lespe went further by suggesting the lack of infrastructure and housing ultimately did not matter because maquila workers could be found in “stores all over the city,” which meant that they were

<sup>285</sup> *Maquilapolis: City of Factories*, directed by Vicky Funari and Sergio de la Torre (2006: San Francisco, CA: California Newsreel), DVD.

“well-paid.” The director then went on to admit that maybe many workers lived in a “very poor house,” but this was because they “settled down illegally in a community” that they were not allowed to build in. Garcia Lespe displaced any responsibility for the problems associated with maquilas onto the workers themselves. His pivot obscured some key difficulties that all maquiladora workers faced.<sup>286</sup>

The wages earned by maquila workers may have been relatively high, but they also failed to provide for a decent standard of living. The women of Grupo Factor X publicized the difficulty of working in a maquila and providing for the basic necessities of life. Many maquiladora workers were migrants from the interior of Mexico that were forced to find housing in the crowded city. Many workers built their own homes from discarded materials, like old garage doors from San Diego. These homes lacked paved floors or plumbing and electricity. As a result, these families needed to purchase their potable water in town. According to one family, a single gallon of water required a worker to hand over 1.5 hours’ worth of wages. Paying for something as necessary as water became a burden financially, but also ate up precious time, energy, and effort. Other necessities like food, clothes, and transportation quickly added up. Many workers made it clear that the money they earned could not cover their living expenses. If anything, the high-wages earned in maquiladoras were not keeping pace with the decreased purchasing power of the peso. Over the 1980s and the 1990s, the period of greatest growth for maquiladoras, Mexican families sent more members into the workplace. The number of minimum wage salaries needed to support a family of five was 1.8 in 1981. By 1993, that number had increased to 5.4.<sup>287</sup> By all accounts, Mexican families were increasingly struggling

<sup>286</sup> *Maquilapolis* and Kopinak, *Desert Capitalism*, 195.

<sup>287</sup> Kopinak, *Desert Capitalism*, 195.

to make ends meet, even as the number maquilas increased across the country's Northern and interior regions.

Increased investment in maquilas did not benefit workers in American border cities. Economic conditions actually worsened for many borderlands residents. By 2010, 35% of families in El Paso County lived below the federal poverty line. Between 1970 and 1980, the number of families that lived below the poverty line in El Paso County increased from 17% to 21%. In some of the most destitute areas of the border region, this number remained unchanged. In 1960, 52% of households in Texas's Starr County earned wages below the federal poverty line. 51% of households claimed earnings that categorized them as impoverished in 2010. Most surprisingly, however, relatively wealthy counties saw their conditions worsen as well. When CODAF first began its operations in 1966, San Diego County only recorded that 8% of households were below the poverty threshold. By 1980, the number of impoverished families increased to 19%. San Diego posted similar rates of household poverty in 2010.<sup>288</sup> The increase in wages that maquilas and their twin plants were expected to bring did not materialize for many families and workers across the borderlands.

Unemployment rates in borderlands counties actually increased over time, and remained much higher than state averages. The unemployment rate in El Paso increased from 2.9% in 1970 to 4.5% in 1980. In 1980, the unemployment rate in Texas stood at 2.5%. Just over 5% of Starr's county's residents were unemployed during 1980, which was more than double the state average. Over the course of the 1970s, the number of unemployed workers increased from 3.8% of the total workforce to over 5.5%. California's overall unemployment rate in 1980 clocked in

<sup>288</sup> U.S. Census Bureau, *Census of Population and Housing, 1980*, Table T100 and U.S. Census Bureau, *2006-2010 American Community Survey*, Table A13003A.



at 4%. And rates in 2010 continue to demonstrate the same trend. Unemployment numbers in border counties consistently trended higher than state and national averages.<sup>289</sup> The maquila and its twin plant failed to commence an era of shared prosperity for American and Mexican workers and residents in the borderlands region. Poverty and unemployment continued to afflict borderlands counties at much higher rates. CODAF's and the Chambers' of Commerce industrial recruitment schemes failed to alter the larger features that perpetuated these economic and political inequalities in the borderlands.

Economic conditions in borderlands cities like El Paso failed to markedly improve because American locales did not receive any direct investment that could uplift the economy. The recruitment of new industries and companies to Mexican twin-cities did not yield new jobs in any significant way. Mexican maquilas generated new fees and commissions for customhouse firms who needed to certify imported goods were bonded. But American plants that employed technicians, sales managers, and other administrative officials did not materialize. For American companies, the U.S.-Mexico border presented logistical benefits, but the laborers in El Paso were not necessary. Companies relied upon the engineering staff in their core factories instead. As a result, the material benefits passed over many of the ethnic Mexicans in the borderlands and instead circulated amongst elites in Mexico and the United States.

The maquiladora once emerged as one part of a larger menu of policies to eradicate poverty in the borderlands. Instead, it evolved into a tool to manipulate the economic and political effects of the U.S.-Mexico border. The line that had become opaque for many workers and migrants transformed into something completely malleable for capital. Instead of allowing

<sup>289</sup> U.S. Census Bureau; Census of Population and Housing, 1980 and U.S. Census Bureau, *2006-2010 American Community Survey*, Table A17002. Employment Status for Total Population 16 Years and Over

borderlands residents to transcend the region's destitution, the maquiladora and its twin instead became an excuse for policymakers and leaders to ignore the root causes of poverty in order to pursue plans and schemes that benefited the few at the expense of the many.

At the height of CODAF's reform efforts in 1969, one worker argued that "there has been one common denominator for the land and the people of the border: a chronic, pervasive poverty that has joined citizens of both the United States and Mexico in an endless communion of despair."<sup>290</sup> Almost 50 years after CODAF first proposed a raft of measures to improve the standard of living along the U.S.-Mexico border, many issues and obstacles confronting workers remain the same. But now that "communion of despair" now encompasses workers across the borderlands, the United States, and beyond.

<sup>290</sup> David T. Lopez, "Low-Wage Lures South of the Border," *The American Federationist* (1969), 1-7.

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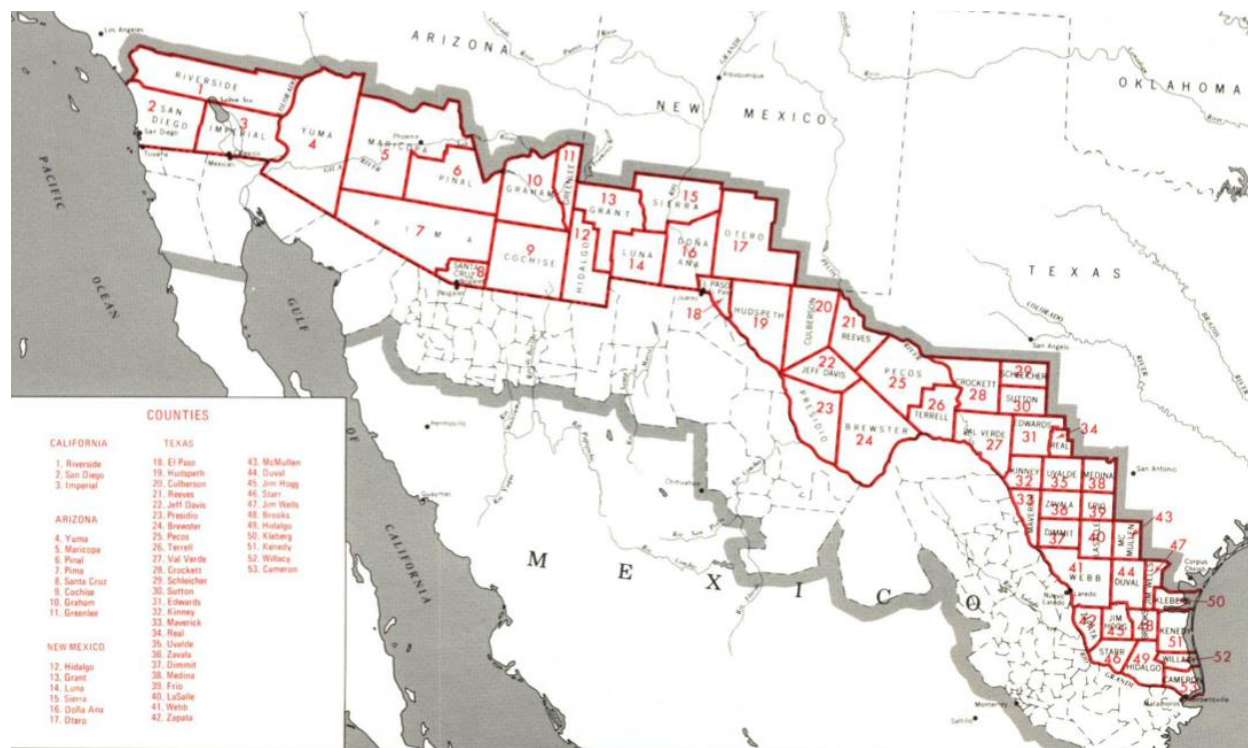
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Appendix 1: Map of U.S.-Mexico Border according to the Commission for Border Development and Friendship



A map of the U.S.-Mexico border used by the Commission for Border Development and Friendship. It lists all the counties that directly abut the U.S.-Mexico border. This spatial configuration defined the service area for the Commission. Courtesy of the Army Corps of Engineers, 1967.

Appendix 2: Rates of Poverty in Counties along the U.S.-Mexico Borderlands

Table 1: Average Number of Families Living below Poverty Line by Border County

County Name	Percentage of Families Living Below Poverty Line
Texas Average)	15%
El Paso County (El Paso)	17%
Hudspeth County	22%
Ulster County	19%
Jeff Davis County	27%
Presidio County	41%
Brewster County	27%
Terrell County	24%
Val Verde County	24%
Kinney County	44%
Maverick County	44%
Dimmitt County	51%
Webb County	38%
Zapata County	51%
Starr County	52%
Hidalgo County	42%
Cameron County	39%

Table 1A: New Mexico

County Name	Percentage of Families Living Below Poverty Line
New Mexico State Average	18%
Hidalgo County	22%
Grant County	12%
Luna County	21%
Dona Ana	20%
Otero	12%
Eddy County	18%
Lea County	12%

Table 1B: Arizona

County Name	Percentage of Families Living Below the Poverty Line
Arizona State Average	11%
Yuma County	13%
Pima County (Tucson)	11%
Santa Cruz County	21%

Cochise County	13%
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Table 1C: California

County Name	Percentage of Families Living below the Poverty Line
California State Average	8%
San Diego County (San Diego)	8%
Imperial County	16%

Table 2: Comparison of the Percentage of Spanish-surnamed Families/White families that lived below the Poverty Line in Borderlands Counties and States

Table 2A: California:

County	Percentage of Spanish – surnamed Families	Percentage of White Families
State Average	15.24%	7%
San Diego	15%	8%
Imperial County	27%	15%

Table 2B: Arizona

County	Percentage of Spanish Families	Percentage of White Families
State Average	21%	12%
Yuma	22%	12%
Pima	20%	10%
Santa Cruz	26%	19%
Cochise County	22%	13%

Table 2C: New Mexico

County	Percentage of Spanish Families	Percentage of White Families
State Average	30%	16%
Hidalgo	26%	22%
Grant	14%	12%
Luna	30%	20%
Dona Ana	33%	20%

Table 2D: Texas

County	Percentage of Spanish Families	Percentage of White Families
Texas Average	33%	12%
El Paso	27%	22%
Hudspeth	40%	17%
Jeff Davis	38%	26%

Presidio	53%	27%
Brewster	42%	41%
Terrell	37%	23%
Val Verde	41%	23%
Kinney	67%	43%
Maverick	53%	44%
Dimmit	65%	51%
Webb	46%	39%
Zapata	58%	51%
Starr	55%	52%
Hidalgo	55%	42%
Cameron	52%	39%

Source for Tables: *1970 U.S. Census*. Table 89.