

AP Human Geography

A tale of 2 cities: What happened when factory jobs moved from Warren, Ohio, to Juarez, Mexico

<https://www.latimes.com/world/mexico-americas/la-fg-mexico-us-factories-20170217-htlstory.html>

Chris Wade reached into the darkness to silence his blaring alarm clock. It was 4:30 on a frigid winter morning in Warren, Ohio, and outside a fresh layer of snow blanketed the yard.

Thank God, Wade thought to himself. He would be able to get out his plow and make some quick cash.

Money never used to be a problem for Wade, 47, who owned a house with a pool back when he worked at Delphi Automotive, a parts manufacturer that for years was one of the biggest employers in this wooded stretch of northeastern Ohio. But 10 years after taking a buyout as part of Delphi's ongoing shift of production out of the United States and into Mexico and China, the house and the pool were gone.

Berta Alicia Lopez, 54, is the new face of Delphi. On a recent chilly morning, she woke before sunrise on the outskirts of Juarez, Mexico, and caught an unheated bus that dropped her an hour away at the Delphi plant.

Lopez earns \$1 an hour assembling cables and electronics that will eventually be installed into vehicles — the same work that Wade once did for \$30 an hour. A farmer's daughter who grew up in an impoverished stretch of rural Mexico, Lopez is proud to own a used Toyota sedan and a concrete block house.

She frequently thanks God for the work, even if it is in a town troubled by drug violence, even if she doesn't see many possibilities for earning more or advancing.

The two workers live 1,800 miles and a border apart and have never met. But their stories embody the massive economic shift that has accompanied the rise of free trade.

In the United States, that shift has contributed to the loss of jobs that once helped workers buy homes, pay for health insurance and send children to college. In Mexico, it brought jobs — though they didn't create the kind of broad, middle-class prosperity they once had in America.

President Donald Trump has pledged to bring factory work back. But it may be too late to turn back the clock on the powerful forces shaping the lives of Wade and Lopez and two cities, one American and one Mexican, that remain inextricably linked by the geography of global economics.

To hear Trump tell it, free trade deals and globalization have produced clear winners and clear losers.

Delphi had been reducing its U.S. workforce for years before it moved most of its operations overseas in 2006.

"Every time I see a Delphi and I see companies leaving, that wall gets a little bit higher, and keeps going up," Trump promised at a campaign rally in Ohio a few days before the election. "We are going to fight Delphi and other companies and say, 'Don't leave us, because there are going to be consequences.'"

He has pledged to tax imports from Mexico and renegotiate the North American Free Trade Agreement, which eliminated most tariffs on the continent and, in Trump's view, enriched Mexico at the expense of middle America.

But the real legacy of NAFTA, which took effect in 1994, is more complicated.

Nobody disputes that the loss of manufacturing has left a bruising mark in parts of the U.S., especially in places like the Rust Belt, where lower-paying service industry jobs are increasingly replacing middle-class factory positions. But many economists say changes in technology, along with competition with China, are more to blame than NAFTA.

The period of steepest decline in manufacturing jobs, which fell from 17 million to 11 million between 2000 and 2010, is substantially attributable to the free import of goods manufactured more cheaply in China and increasing reliance on machines to do the jobs humans once did, according to Gordon Hanson, an economist and trade expert at the University of California, San Diego.

South of the border, free trade has indeed helped modernize Mexico by creating millions of jobs since the passage of NAFTA, boosting investment flow and helping to diversify the country's manufacturing sector. Mexican workers now help build everything from Whirlpool washing machines to Bombardier jets.

But wages have remained low, so that Mexico remains attractive to manufacturers who might otherwise be tempted to locate in China or elsewhere in Asia. Since NAFTA went into effect, there has been no change in the number of Mexicans living below the poverty line — more than half.

Now, as Trump pushes companies to cancel plans for new factories in Mexico and vows to renegotiate trade deals, it appears more dramatic change is on the horizon.

His administration has proposed a 20 percent tax on imports from Mexico and other countries with which the U.S. has a trade deficit. Economists say the plan poses a serious threat to Mexico, which sends roughly 80 percent of its exports to the U.S., and whose peso has plummeted amid fears of what the Trump administration may do.

"It's a new era," Mexico's president, Enrique Peña Nieto, said in a recent speech, warning that if trade deals are opened up, everything — including Mexico's cooperation with the U.S. on matters of immigration and security — will be up for negotiation.

Lopez is only vaguely aware of Trump — she's too busy for politics.

Wade said he just wants things to go back to the way they were.

But even he sometimes wonders: "Is it too late?"

The snow kept falling, so Wade called up some buddies he works with and fired up his plow.

He sipped coffee from a thermos as he wove along a country lane through a landscape that looked like a Thomas Kinkade painting, with cornfields and churches and quaint clapboard houses all cloaked in white.

His first job was to clear the driveway of an industrial park that once belonged to Delphi.

"That's when times was good," Wade said in his raspy drawl. "That's when I liked this place."

Delphi began as Packard Electric, which started out in Warren in 1890 making light bulbs, but later branched out to auto parts. It became a division of General Motors in 1932, eventually expanding to include factories across the U.S.

The company's factories in Warren paid middle-class wages and helped build a prosperous city, with bustling streets lined with handsome brick buildings.

Both of Wade's parents worked for Packard, earning enough to take the family on summer vacations and build a swimming pool in the backyard. Growing up, Wade heard stories at the dinner table each night about what had happened that day on the factory floor.

By then, Packard had started reducing its U.S. workforce by moving some of its operations to Mexico to take advantage of lower labor costs in cities such as Juarez, which was inviting foreign companies to build factories there while paying minimal taxes. The threat that more jobs could be shifted overseas forced union representatives in Ohio to make concessions in salaries and benefits.

Still, Wade's brother and sister-in-law went to work at the Warren factory after high school and Wade figured he'd land there too.

By the time he did — in 1993, after a stint in the Navy that ended with a knee injury — the union workforce in Warren had dropped to less than 9,000, compared with 13,000 a decade earlier.

Still, Wade was happy with his life. He worked nights on the assembly line and cashed his paychecks every Thursday at the bar across the street. On days off, he went duck shooting with his chocolate Labrador, Hunter.

By the early 2000s, after Packard had been renamed Delphi Automotive Systems and spun off as a company independent of GM, Wade had the house and pool. His wife drove a brand new Trailblazer, and he drove a new Chevrolet pickup.

He had no idea what was coming.

Lopez grew up in Bermejillo, a dusty town in the state of Durango, where her stepfather spent his days in the sun, irrigating cotton and melon fields. Her mom had pulled her out of school when she was in fifth grade.

"Why study if you're just going to work and have babies?" her mother told her.

Sure enough, by the time she was 17 she had a son, the first of her five children.

For centuries, people in Bermejillo made their living in the fields, and Lopez had little reason to think she would be any different.

But NAFTA made things hard on small Mexican farmers, who found themselves competing with imports from giant U.S. agribusinesses, many of which received healthy subsidies from the U.S. government. In places like Bermejillo, a generation of young people were suddenly out of work, and many headed north to the U.S.

Others went to frontier towns such as Juarez.

As NAFTA took effect, Juarez was transformed overnight from a desert oasis best known for its nightclubs and casinos into a sprawling grid of concrete industrial buildings intersected by dirt roads. The population grew faster than officials could build highways, schools and other infrastructure.

Migration to cities like Juarez also marked a cultural shift. Parents worked all day, and without extended family to look after them, children often found themselves alone. Drug cartels, whose power was growing, found easy recruits. As the city erupted into gang warfare, the number of killings increased, along with suicides and violence against women.

Lopez had been working in a cafe for \$5 a week when a truck driver passing through town told her about new factory jobs up north. She arrived in Juarez in 1996 with her husband and five children. Her eldest son, then 16, who had not been able to find work in Durango, immediately found a job at a maquiladora, as they call the U.S. factories that had begun to proliferate along the Mexican side of the border.

So did Lopez, at Delphi, where on her first day she was so nervous she offered to clean the bathrooms instead of working on the floor.

"God helped me," she recalled. "However good or bad, at least we had work."

She took to factory life — gossiping with the other workers on breaks, earning the equivalent of a GED in classes offered after her shifts, making peace with living in a big city far from home. Then in 2001, her second eldest son committed suicide.

She was so despondent after his death that for the first time she stayed home from work. One of her managers at Delphi traveled to her neighborhood and gently persuaded her to return to the factory.

Lopez thought about returning to Durango, but she knew there would be no good jobs there. She resigned herself to the fact that the Delphi factory was probably the best place she'd ever work, and that Juarez was now her home.

"If I didn't have the job, I wouldn't eat," she said.

Delphi had its own listing on the New York Stock Exchange, but its fortunes still rode on General Motors, its biggest customer. When the car company slumped in 2004, the transnational auto parts maker went into a tailspin.

The next year — amid an accounting fraud scandal in which the SEC fined several top executives — Delphi filed for bankruptcy.

Its board hired a new chief executive, Robert Miller, who complained that the company's U.S. workers were overpaid, with labor costs triple that of other unionized auto suppliers.

In March 2006, Delphi announced it was closing or selling 21 of its 29 American plants, a move that eliminated more than 20,000 jobs, or about two-thirds of its total workforce. Operations were shipped to factories in China or Mexico, where Delphi now has about 70,000 employees working at factories in 20 cities.

Most of the plants in Warren remained open, but with a much smaller workforce.

While Miller got a sendoff package that by one account was worth \$35 million, workers were urged to take a buyout and warned that if they stayed, their wages would drop from an average of \$29 an hour to \$16.50.

On the day he walked away from Delphi with a buyout package worth \$140,000, Wade was, as he put it, "fired up." "The CEOs and the guys at the top make millions while everybody else can barely survive," he said. "It's not right."

In Trumbull County, the former manufacturing and steel stronghold where Warren is located, the Delphi cuts felt like kicking a guy who was already down.

Wade's post-Delphi years were not easy. Shortly after leaving the factory, he went through a divorce and narrowly avoided prison after being pulled over while drunk and with unlicensed guns in his car.

He had received his truck driver's license, but the DUI eliminated that career plan. He earned a certification to sell insurance, but that didn't pan out either.

He works in roofing now during the summer and plows snow in the winter. After a decade, he's making about what he was when he worked at Delphi.

But he doesn't have the security of a pension, paid vacation or health insurance. If he had kept his job at Delphi, he would be just seven years from retirement.

Wade doesn't want to hear about the Mexican workers who replaced him. He boils when he hears what low wages they get paid, and is equally angry about immigrants who work illegally in the U.S.

He liked that Trump called out Mexico on the issue. It was the kind of talk that helped persuade Wade, a lifelong Democrat and union member, to give Trump his vote. He was joined by many others in Trumbull County, which voted Republican for president for the first time since 1972.

Brian Lutz, shop steward with the union that once represented Wade, said he understands the anti-establishment anger.

"I hear all the time people who say why would I continue to vote for a Democrat when all the people I worked with are gone and the Democrats haven't done what we sent them to do?" he said.

His union recently negotiated a contract that starts workers at \$13 an hour. That's about 10 times as much as Lopez takes home from the Delphi plant in Juarez today, two decades into her career there.

At the end of the shift in Juarez one recent afternoon, hundreds of workers streamed out of the Delphi factory toward the long line of white buses that take them home. Lopez climbed onto No. 6621, which headed east along the U.S. border, past dozens of other factories and a slew of big box stores.

It dropped Lopez in New Lands, a gridlike housing development that rises from the sand on the outskirts of the city. Overweight and suffering from diabetes, she shuffled past the Toyota in her driveway.

Trump's warnings to companies to keep their business in America are already having an effect on the Mexican economy. Last month, after being criticized by Trump on Twitter, Ford announced it is canceling plans to build a new \$1.6 billion factory in Mexico, opting instead to hire workers in Michigan.

Trump claimed credit, though the company said market demand was a bigger factor. The Mexico factory was designed to build small cars, but as gas prices have fallen, demand has shifted toward bigger models made in Michigan.

But some companies that produce goods in Mexico say there's no going back to the U.S. That includes Delphi.

The company just announced a plan for more layoffs in Warren, where only 1,500 employees remain.

Speaking at Barclay's Global Automotive Conference in New York in December, Delphi's Chief Financial Officer Joe Massaro explained what he thought would happen to Delphi under several Trump trade scenarios.

If Trump were to close the border with Mexico outright, "in less than a week, all the people who voted for him in Michigan and Ohio would be out of work," Massaro argued, underscoring the fact that many factories in the U.S., including car makers in Detroit, depend on parts made in Mexico.

If the United States were to withdraw from NAFTA and start taxing imports from Mexico again, Delphi would continue doing business in Mexico, he said.

The company would pass on the extra cost to its suppliers or to consumers, or would find a way to reduce its production costs — which could mean layoffs or salary cuts in Mexico.

What it all means for Lopez and her family, she is not sure. Of her four children, three work in factories. For the last couple of years, every spare peso has gone to pay the college tuition for her youngest son, Sergio, who is studying computer engineering. He dreams of starting a software company that can compete with U.S. firms.

He has watched his mom's life, and wants to earn more than factory wages.

"It's a lot of work for little money," he said.