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Miss Post-Nafta Party

By Helene Cooper

NOGALES, Ariz. -- This desert town is throwing a post-Nafta party, complete with plant openings and new jobs. But the locals can't get in.

After years of watching service jobs emigrate across the street to low-wage workers in Nogales, Mexico, the Arizonans had high hopes when new employers began coming in. At a recent meeting in the high school, civic leaders boasted of the 5.6% growth in local manufacturing jobs, compared with a 0.5% drop nationally.

But reality struck. Someone lamented the town's overall unemployment rate: 22.6% and rising. Duke Petty, the economic-development director, snorts: "I've hollered about vocational training for 30 years. Maybe now somebody will listen."

Perot Half-Right

Ross Perot, it seems, was half-right. The North American Free Trade Agreement does produce a giant sucking sound as jobs head south -- but mainly to the U.S. border states of Texas, Arizona and California. Seeking to supply nearby Mexican plants, the maquiladoras, American auto-parts suppliers, plastics companies and others are opening factories on U.S. soil to make the complex components that the assembly plants need but that low-skilled Mexican workers can't produce.

However, the new U.S. factories can't make them, either, unless the companies go north to hire managers, technicians and skilled workers. Nogales had neglected vocational, science and even English-language training for its residents. And the locals have been left unready to fill the new, high-paying jobs.

"We can't compete on the low-skilled level with Mexico," says Michael Hein, Nogales's city administrator. "So, we have to compete on the high-skilled level, and that's not happening, either."

Like other border towns, Nogales has long relied on providing shops and services for Mexican visitors. With its Spanish-speaking populace and numerous discount stores, Nogales was the perfect place for Mexicans to pick up U.S. goods quickly. And residents didn't need much schooling to get decent jobs in the stores.

An Upheaval in Retail

Now, that trade, and the jobs it created, are mostly gone, done in by Nafta and the 1995 devaluation of the Mexican peso. The devaluation boosted retail business in Nogales, Mexico, where Americans shop, but obliterated it in downtown Nogales, Ariz., where goods suddenly cost 35% more in pesos. In the U.S. town, the main street has one shuttered store after another; last year, Capin's, a local retail chain, folded, at a cost of nearly 1,000 jobs.

An April 1996 report by the National Bureau of Economic Research found that the maquiladoras -- often blamed by Nafta foes for draining American jobs -- actually spur employment on both sides of the border. Mexico obviously has a big advantage in simple, low-wage assembly work, concedes Gordon Hanson, the University of Texas economist who wrote the study for the Cambridge, Mass., research organization. "But the United States has the advantage in components production," he adds.

In addition, maquiladora owners -- many of them American -- want component suppliers conveniently nearby. The result: faster economic growth on the U.S. side of the border, Mr. Hanson says. He expects that the area will soon become a "regional center of trade and commerce."

A Local Building Boom

One indication is a local building boom. At the Desert Dawn housing project here, construction teams are laying foundations for new adobe and stucco homes. Across the highway, diesel mechanics open shop to service growing truck traffic. So far this year, once-sleepy Santa Cruz County, of which Nogales is the county seat, has issued more than $3 million of building permits. Last year, 46 new plants and businesses were started in the county, up from 19 in 1993, when Nafta was passed.

But to find enough skilled help, the companies have little choice but to import workers from the North, including many Midwestern towns that have long complained about losing jobs to the South. The companies find that poorly educated border-town workers can't even speak English or read much in any language and thus can't do technical jobs. Most growth now is relatively high-tech, but after neglecting education and training so long these towns suffer from the anomaly of more jobs available but more people jobless.

"We don't have carpenters here. We don't have mechanics or plumbers or electricians," says Mr. Petty, the economic adviser. "Companies know if they're going to come down here, they'd better bring their own people."

Even the construction workers at Desert Dawn come from Phoenix and Tucson, not Nogales. When town officials conducted a survey at the development a few months ago, they were shocked to discover that not one worker was local.

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In the Wake of Nafta, Family Firm Watches Its Business Head South

By RICK WARTZMAN
Staff Reporter of THE WALL STREET JOURNAL

TLAQUEPAQUE, Mexico -- As the owner of a struggling apparel company here, Berj Mehserjian is no stranger to unpleasant phone calls. Workers ring up to say they aren't going to make it to the factory that day. Or, as has been the case a lot lately, it's a customer screaming about late deliveries.

Some calls, though, are more jarring than others. "That was my wife," Mr. Mehserjian says, clamping down the receiver and fidgeting in his chair. She has phoned from their home near Los Angeles to tell him that their three-year-old daughter is crying for her daddy. There's not much Mr. Mehserjian can say about that. "Look," he remarks, "you have to do what you have to do."

With profits at his family's garment factory in California drying up, what Mr. Mehserjian and his brothers have to do is clear: They have to make a go of it here, in this industrial area on the outskirts of Guadalajara.

Yet the effort to transform their business, Jack Sr. & Sons Inc., into a mini-transnational isn't being done with any relish. Like other sewing contractors from Los Angeles -- the largest apparel and textile center in the U.S. -- the Mehserjians are not so much seizing an opportunity as they are being driven from the place where they would prefer to live and work.

The main impetus comes from the North American Free Trade Agreement, which took effect in 1994. Nafta removed quotas limiting how much clothing could come into the U.S. from Mexico. (The rest of the world, except for Canada, is still subject to quotas.) The accord also has lowered tariff rates more than 50%.

The result is that many designers have been shifting the bulk of their sewing to Mexico, where labor costs are about one-seventh of what they are in the U.S. But a growing number of the small-business owners who operate Southern California's 5,000 or so sewing shops aren't content to watch all that work just slip away to Mexican-run factories. Instead, they are chasing the business across the border.

"It's obvious: You either go to Mexico -- or you die," says Mr. Mehserjian's brother Harry.

When it comes to analyzing Nafta's impact, much of the attention has been focused on workers. Preliminary results from a new study, set to be released in March by researchers from the University of California at Los Angeles, show that about 200,000 jobs directly related to trade with Mexico have been created in the U.S. since Nafta was implemented. Labor Department data, meanwhile, show that up to 112,000 people in the U.S. may have seen their jobs disappear in the past five years as a result of Mexican trade and associated plant closures. Many of these displaced workers come from low-income, minority communities.

But the Mehserjians represent a different side of the equation -- a group that might well be dubbed "displaced entrepreneurs." The Mehserjians' business began to unravel in late 1997 as some of their biggest clients, such as Monarch Knits, were sending more of their sewing from Los Angeles to contractors in Mexico. As the family scrambled for business in Los Angeles, Harry Mehserjian says, they kept banging into the same question: "Do you have a factory in Mexico? We could give you work if you had a factory in Mexico."

Typical was Koral Industries, a Los Angeles maker of junior sportswear, which did virtually no sewing in Mexico before Nafta; now it does about 80% of its sewing there. At one point, Koral executives told Harry that they had plenty of business for the Mehserjians -- if it could match the rates of Koral's contractors down south. "We had priced that work for Mexico," explains Sam Abebe, Koral's general manager. Harry, knowing he couldn't earn a profit at those rates, turned the work down.

Some contractors, including the Mehserjians, now are trying to function in both Mexico and Los Angeles, where a booming market remains for higher-end fashion. Others have moved their businesses entirely to Mexico -- though some still maintain their residences in L.A.

In many instances, the contractors moving to Mexico are not only immigrants here, but were also immigrants to the U.S. -- an irony that hasn't been lost on the Mehserjians. Their family business endured 15 years of war in Lebanon before they sought refuge in California a decade ago. But rather than pursuing the American dream, "now it's become the Mexican dream," says Vatch, a third Mehserjian brother.

The Mehserjians have had their hands in apparel ever since the family's 65-year-old patriarch, Jack, became a custom tailor as a young man in Beirut. By the mid-1970s, the family had become one of the leading couturiers in Lebanon. The country's long civil war presented challenges -- the family's tailor shop was burned down and its factory bombed -- but the business managed to hang on. The Mehserjians eventually specialized in high-end women's jeans and sold them throughout the Middle East.

In the late 1980s, fighting suddenly intensified in their east Beirut neighborhood. For the very first time, Jack says, he really believed "our lives were in danger." One afternoon in June 1989, Jack packed his suitcase, locked his front door and headed to America. Berj came shortly thereafter. They left behind almost everything, save for about $150,000 in cash. (Harry had already found his way to Los Angeles in 1983.)

Soon after landing in L.A., Jack put up $30,000 to buy a 15-machine sewing factory in Hollywood. Although they had a lot of experience in apparel, the family didn't know much about sewing; in Beirut, they had always hired out such work. But thrust into a new country, they thought it was important to learn the industry from the ground up. Besides, it was the easiest part of the game to get into.

Jack Sr. & Sons began sewing T-shirts, and the Mehserjians stumbled their way to a small profit. In 1991, Harry left the family business and joined clothing manufacturer Guild Inc., which makes clothing for J.C. Penney Co. As a quality-control inspector, he became familiar with other sewing operations around town. By the time he returned to Jack Sr. & Sons about a year later, Harry felt as if he had gleaned "the secrets of the industry."

Armed with this new knowledge, the Mehserjians invested in top-of-the-line, computerized sewing machines. In a bid to increase productivity, they switched to paying piece-rate rather than hourly wages.

Things took off from there. In late 1993, Jack Sr. & Sons relocated to a 14,000-square-foot factory -- almost five times the size of their first plant. In 1997, the Mehserjians say, they had their best year, generating $2.9 million in sales and $400,000 in profits from 120 sewing machines.

Then, seemingly all at once, the family enterprise began to fray.

As a whole, the U.S. apparel sector has been shrinking since the early 1970s. But Los Angeles has stood as the industry's last redoubt, due in large part to a flood of Hispanic immigrants willing to sew for modest wages. As of last December, 123,200 people worked in the local apparel industry, a 5% jump over the previous year.

But the numbers belie a more complex reality: In the wake of Nafta, L.A.'s apparel market has fast become bifurcated.

Many of those who sew more fashionable clothing, particularly women's wear, are still thriving. The companies that these contractors work for are averse to having their garments stitched in a place as far away as Mexico, in part because they demand lightning-fast turnaround times.

But those sewing T-shirts and other budget items, such as the Mehserjians, have been clobbered. "People have been surprised at how quickly the lower-end stuff is moving south," says Raul Hinojosa-Ojeda, a UCLA professor who is spearheading a program to upgrade the technology of apparel contractors in Southern California and thereby keep them in business.

Several factors have contributed to the exodus -- the rise in the minimum wage in California, heightened regulatory pressure, an aggressive unionization campaign. But Nafta jump-started it, contractors and manufacturers alike say. Since the pact was put in place, Mexico has shot past China to become the top exporter of garments to the U.S. Prior to Nafta, Mexico was sixth.

These macroeconomic trends really hit home for the Mehserjians last year. With little to sew in Los Angeles, Jack Sr. & Sons lost $300,000 and slashed its work force to 60 from 150.

Since then, the Mehserjians have launched a two-pronged strategy for survival. Broadening beyond T-shirts and other knitwear, they have started sewing higher-fashion garments at their Los Angeles factory. Yet this is a costly transition, requiring the Mehserjians to invest in new equipment and their employees to master handling new types of fabric. The Mehserjians say they may not be able to keep the doors open in Los Angeles.

So they bank, uneasily, on Mexico. "I never wanted to go to Mexico," says 33-year-old Harry. Since starting up the factory here last summer, he and Berj have rotated through Tlaquepaque, each staying for as many as 15 days a month.

It is hardly a pleasant sojourn. Unable to find an apartment, the Mehserjians reside in a down-at-the-heel hotel. They have no car here. Making friends is tough since they're always shuttling back and forth to California. When they're not at work, they usually kill time by strolling the streets alone. "You walk around and get bored to death," says Harry.

Work, meantime, has unfolded into a nonstop series of challenges. For one thing, the Mehserjians have been struggling to find enough workers. Competition is keen from high-tech factories in the area -- Guadalajara calls itself "the Silicon Valley of Mexico" -- and so about half of the 100 sewing machines that the brothers have brought to Tlaquepaque sit idle.

"We underestimated how hard it was going to be," concedes Berj.

On a recent day, Berj walks through the breezy, well-lighted facility, teaching his workers a few tricks to boost their output. Hunched over a work table, a man is cutting trim one piece at a time. Berj demonstrates how to cut three pieces at once.

"The learning curve is very slow," he says. The Mehserjians' long-range goal is to double productivity here, bringing it up to the same level as their plant in L.A.

An even larger challenge, the Mehserjians say, is trying to change attitudes. Though the Mehserjians pay above the prevailing market rate, they have had a hard time getting workers to show up reliably. (The average weekly wage that the Mehserjians say they pay here is about $60, compared with $300 in L.A.) "If they come on Monday, they're out on Tuesday. If they come on Tuesday, they're out on Wednesday," says plant manager Alfredo Lopez, whom the Mehserjians brought down from Los Angeles.

Such headaches, experts say, are not uncommon in cities in the interior of Mexico, like Guadalajara. Here, workplace culture has traditionally been looser than in the U.S. or even northern Mexico. "It's true that these workers don't necessarily see their lives revolving around a job," says UCLA's Dr. Hinojosa-Ojeda. "There's a great deal of informality that they have come to expect from factory employment. You work hard during certain periods of time, and relax during others."

To overcome the problem, the Mehserjians have offered a 10% bonus to those who come to work faithfully for the entire week. Nonetheless, absenteeism and turnover still plague them.

In the afternoon, Berj gathers his employees to address the issue. They are so woefully late on filling orders, he explains, he will pay them double and triple the normal amount to come in over the weekend and catch up.

"How are you going to have a better life if you don't work hard?" he says in a soothing Spanish. "If you want a better life, make it happen. Show me you can."

On Saturday, about 50% of the crew actually does head in to work -- many more than Berj expected, and an encouraging sign that perhaps things are turning a corner.

Ultimately, the Mehserjians are confident that they will be able to flourish here. They note that many U.S. clothing companies prefer to work with American transplants because they already have a relationship with them from back home.

But the brothers also recognize that in a world where consumers are clamoring for high-quality garments at ever-lower prices, there's another possibility, too: One day, the clothing companies may transfer their sewing to even cheaper locales in Central America or the Caribbean.

Should that happen, Berj insists he'll chase the work anew. "I'd go to Africa" if that's where the business was, he says.

Harry, however, is less sure. If the work keeps moving, "I'm going to have to give up," he says. "I'm not a gypsy."

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A Section

Mexicans Reap NAFTA's Benefits; Factories Offer Higher Salaries, Perks as Exports to U.S. Grow

Mary Jordan
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GOMEZ PALACIO, Mexico -- Stitch by stitch, Hortensia Hernandez's life is getting better. The 29-year-old mother sits in a factory with hundreds of other workers sewing jeans for the Gap, Tommy Hilfiger, Ralph Lauren and other U.S. retailers, earning triple the salary she did a couple of years ago doing the same work.

The La Laguna region around Torreon, 250 miles south of the Texas border, is known as the jeans capital of the world--4.5 million pairs are sewn here every week. Factories are expanding and hiring so fast that unemployment is virtually zero. That is great news for Hernandez, who is in such demand that her new employer sends a free bus for her every morning, offers her free lunch and pays her a top-end salary of $100 a week. The company also pumps in air-conditioning and Mexican music for Hernandez andits other 7,000 employees--6,000 of whom have been hired since 1995.

"Things are changing rapidly," said Hernandez, who works for the Bull-D jeans company because it offered her the best salary, hours and perks--even an ergonomically correct chair. "And if this doesn't work out, if they don't pay me enough, I will leave and get another job."

Hernandez is on the leading edge of the Mexican economy. Average wages for the majority of Mexico's 8 million industrial workers have fallen 10 percent since the early 1990s to less than $14 a day, mainly because of a financial crisis that struck in 1994-95. But notable exceptions are the 2.6 million jobs in the booming export sector, where salaries are typically 30 percent higher than those for jobs related to the domestic market.

This is the way the 1994 North American Free Trade Agreement (NAFTA) was supposed to work--more exports, more jobs. But many **Mexicans** complain its **benefits** have spread far too slowly through the economy and were undermined by the currency debacle five years ago. Still, exports are growing fast. They account for nearly one-third of Mexico's $500 billion economy and at least half the 3 million jobs created since NAFTA took hold.

President-elect Vicente Fox has said repeatedly that bringing the **benefits** of this new economy to more **Mexicans**, and reducing the wage gap with the United States, is the way to better relations between the two countries. More than 300,000 **Mexicans** flood across the border each year because they have no jobs, no money and no future. Give them those things, Fox argues, and illegal immigration will dry up.

La Laguna and other middle-class meccas emerging across Mexico are beginning to offer evidence that such a future, while still far off, may be more than a politician's pipe dream. The hum and buzz of the factories in this region--an eight-hour drive south of the border--show much of what the future could become.

"This is the process of the development of a country: modernizing one company at a time," said Luis de la Calle, one of Mexico's chief trade officials.

Mexico is expected to replace Japan this year as the second-largest supplier of foreign-made goods to the United States, with more than $120 billion in exports moving across the border. Only Canada has a bigger presence in the lucrative U.S. market. In just six years, Mexico shot up from being America's fifth-largest supplier of garments to its largest, passing China, Hong Kong, Taiwan and South Korea. American shoppers increasingly see "Hecho en Mexico" tags on their clothes as Mexico assumes the dominance once held by Asia.

Overall, exports have risen from $61 billion in 1994 to an estimated $165 billion this year--more than the combined exports of all South American countries.

More significant for many Mexican workers, export factories usually require higher skills and pay more for it. In the case of the garment industry, many U.S. retailers worried about the public relations nightmare of being affiliated with sweatshops will only do business with companies such as Bull-D, which offer good working conditions.

The forces of global competition are not a big topic of discussion among the factory workers, but they do talk about its effect: increasing wages. Hernandez earns $20 a day. While not much compared with the factory worker in Texas who typically earns $12 an hour, it is triple what she earned sewing in 1997. Only last month, she said, she was working longer hours at a different company for less money. Now, as the competition for workers increases, she walks away from her sewing machine every day at 6 p.m.

"I get to spend more time with my 3-year-old," she said, taking a break at the Bull-D factory in Gomez Palacio, near Torreon. "I feel things are changing, and rapidly."

NAFTA was a bold continental pact that allowed the tax-free flow of goods among Canada, the United States and Mexico. It allowed, among other things, Mexican companies to buy duty-free U.S. computers and technology to upgrade factories. These companies could then export their goods duty-free back to New York City electronics stores and Houston shopping malls.

Since the pact, the number of pairs of jeans sewn every week in La Laguna alone has jumped from 500,000 to 4.5 million--more than 230 million a year. Bull-D has computer software hooked up to a giant printer that draws the pattern of the jeans, easily shifting from a women's Size 6, slim fit, to a men's 42-inch waist, relaxed fit. Most jeans from the factory are bought by American shoppers shelling out $20 to $80 in stores such as Old Navy, Eddie Bauer and Armani Exchange.

Jennifer Bair, a Duke University scholar studying the Mexican apparel industry, said there is still a large gap between U.S. and Mexican wages but that it is "inspiring" to talk to employees and managers around La Laguna because of the changes underway. "There is optimism and energy, and a tremendous amount of enthusiasm in a country which in the past has had just cause for a lot of pessimism," she said.

Nora Lustig, an economist who has written extensively on the Mexican economy and recently completed a report for the World Bank, said that even with the "tremendous boom" in La Laguna, the lack of education and infrastructure in many parts of the country has created a bottleneck for growth. "The catch-up will take a long time," she said.

For instance, most Mexican factory workers still earn in a day what U.S. factory workers earn in an hour.

Fox has said a first step toward narrowing the economic gap is to narrow the gap between rich and poor Mexico. Fox has said he will improve public education to create a more capable work force and nurture smaller businesses that have had a difficult time raising capital. Fox, who begins a six-year term Dec. 1, has also said he wants to create more than 1 million jobs a year. To do so, Fox wants to relocate dozens of export factories from the wealthier northern border region to Chiapas and Mexico's other poor southern states, luring them with government incentives.

So far, Fox has received a cool reception to his pitch to Mexico's NAFTA partners, the United States and Canada, to give big sums to create jobs inside Mexico. But some officials say that could change if Fox delivers on his promises and if areas such as La Laguna are able to absorb workers from poorer areas who otherwise might cross the Rio Grande in search of a living.

The hints of prosperity here are everywhere: The business breakfast buffet is always crowded at the marble-floored Hotel Paraiso, and the new Sanborns department store is stocked with the latest electronics and fashions. Hordes of construction workers are building two new shopping malls, two golf courses and two suburbs--all aimed at the emerging middle and upper-middle classes.

A decade ago, La Laguna was known mainly for its dairy farms. This week, the Torreon airport will open a lounge with Internet hookups for traveling business executives, who can also watch news on CNN and movies on HBO.

A short drive away, Juan Antonio Sotelo, 19, the son of a stable worker, stitches jeans at the Bull-D factory. Like many young people here, he has been working since he was 12, harvesting onions and chilies in the fields until the factories arrived and started offering unheard-of wages. He said he is still tempted by the far better wages offered north of the border, where he has relatives in Texas and Oklahoma. But he said that, for the moment at least, Mexico is offering him a future that seems brighter than he imagined.

"I've worked a lot harder for less," he said.

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As Jobs Move East, Plants in Mexico Retool to Compete
China Takes Low-Wage Work, So Guadalajara Targets Products Still Made in U.S.
Beating Boise's Router Maker
By David Luhnow ~ The Wall Street Journal ~ March 5, 2004

Guadalajara, Mexico - When Ernesto Sanchez became the manager of the sprawling Jabil Circuit Inc. electronics factory here in February 2001, the factory was racing to fill its highest volume of orders ever.

But only a month after moving into his new office, orders at the plant had fallen 10%. By May, output of the factory, which makes products for Dell Inc., Nokia Corp. and others, was down 40% - part of a blindingly fast shift in global manufacturing production to lower-cost China. Mr. Sanchez felt helpless.

Nearly three years later, the 37-year-old electrical engineer and his factory have pulled off a remarkable turnaround. Instead of trying to win back orders lost to competitors and other Jabil factories in China, Mr. Sanchez set his sights on the U.S., where he still has a big edge on wage costs. By pursuing more complex products traditionally made by smaller plants in the U.S., such as computer routers and hand-held credit-card machines used by waiters, he has replaced all the business lost to China. After watching his work force of 3,500 dwindle to half that number by the summer of 2002, the factory now employs nearly 3,900.

"We realized we couldn't compete with China's labor cost. We needed to compete as a North American factory. After all, that's where we are," says Mr. Sanchez. A native of Mexico with an M.B.A. from Central Michigan University, he cut his teeth working for International Business Machines Corp.'s Mexico unit for eight years.

To make his plant more competitive, he trained workers to do more than one task at a time , retooled the plant's inventory system and had the cafeteria remodeled to keep workers happy. Now, as he proudly walks amid rows of busy assembly lines, Mr. Sanchez says his plant rivals any competitor north of the border.

Mr. Sanchez is on the leading edge of an important new development in global outsourcing. Factories in Mexico long were winners in the flow of labor around the world, as many U.S. companies relocated there to take advantage of lower wage costs.

So, Mr. Sanchez and other managers are moving their factories up the manufacturing food chain, retooling to make more advanced products. Now they are competing against factories in developed economies such as the U.S. that earlier thought they were safe from foreign competition. Mr. Sanchez attracted many of his new orders from another Jabil facility in Boise, Idaho - prompting Jabil to close the plant in September 2002 and lay off its 500 employees. The factory was only two years old.

"China makes you sharp or it kills you," says Eslie Sykes, manager of a Flextonics Inc. plant a few miles away from Jabil's facility in this city best known for its fiery tequila and Mariachi musicians. After a lull in activity for the past two years, Mr. Sykes's one-million-square-foot plant is now poaching higher-end work from Ireland and France. One of his factory's newer products, a data storage system for a U.S. based electronics company, uses 91 customized screws.

Double Threat

What's happening in Mexico illustrates how globalization is a double threat to blue-collar workers in wealthy countries such as the U.S. as low skill factory jobs migrate directly to China and countries such as Mexico accelerate their competitiveness for their own survival. By playing the role of upstart global entrepreneur, China isn't just drawing in jobs but forcing factories throughout the rest of the world to become more efficient. "It's Economics 101 in action," says Claudio Bertoluz, head of Mexico's electronics manufacturing association.

While the loss of jobs to China has become a hot political issue in the U.S., nowhere has China's economic emergence been felt more sharply than in Mexico. In the past three years, Mexico lost an estimated 400,000 jobs to China and was replaced by China as the No. 2 exporter to the U.S. market, behind Canada. The lost exports cost Mexico at least $5.8 billion in 2002, Credit Suisse First Boston estimated recently.

China's rise caught Mexico unprepared. Having signed the North American Free Trade Agreement in 1993, Mexico rode its privileged access to the world's biggest market to become the globe's sixth-biggest exporter by 2000 - placing Mexico and China as the only developing countries in the top ten exporters. The electronics industry in Guadalajara saw its exports soar five-fold to $10 billion from 1994 to 2000. But the boom and a stronger peso drove up average hourly wages to above $3 per hour in 2002 from half that level in 1998. Other Mexican industries saw a similar rise.

Success bred complacency, and, while wages rose, productivity lagged. Mexico has failed to enact a single major economic initiative in six years. Attempts to introduce competition to the state-run energy sector have failed in a hostile national legislature. So companies pay twice the rate for energy as their rivals in China. President Vicente Fox's effort to plug holes in Mexico's leaky tax system also flopped - meaning the government will continue to be chronically short of cash to invest in crucial infrastructure. Mexico also never developed local suppliers for its assembly industries, relying on imported components to assemble here for export.

'Hecho en China'

Now, competitiveness with China is an obsession in Mexico . Much as the economic rivalry with Japan entered the American consciousness in the 1970s, Mexicans view China as a major threat. Newspapers prod such anxiety with stories about iconic Mexican goods such as statuettes of the dark-skinned Virgin of Guadalupe now bearing the offending label "Hecho en China" or "Made in China."

Partly in response to those worries, Mexico recently repealed a 4% salary tax, and reduced corporate taxes over the past three years to 32% from 35%. To lower the cost of raw materials, it cut import tariffs on a range of key products, such as steel, from non-NAFTA countries. Cities in Chihuahua and Baja California are giving away land to companies, and some states offer tax breaks for research and development spending.

Mexico's manufacturing costs now account for about 13% of the price of a product in dollar terms, down from about 20% three years ago, despite rising wages. After falling for several years, Mexico moved up six spots to 47th in the latest ranking of global competitiveness by the World Economic Forum.

During the first nine months of last year, foreign direct investment in Mexico's manufacturing sector rose 13%, compared with the year-earlier period, despite a global decline in such investments.

Farm-equipment maker Deere & Company said last month it is moving parts-assembly work to Monterrey, Mexico, from Ankeny, Iowa. Sweden's Electrolux AB recently decided to relocate its Greenville, Michigan plant to Mexico.

The Flextronics factory in Guadalajara now makes steel communications cabinets sold by Canada's Nortel Networks in the U.S. market. Previously the products were made in France.

The Flextronics plant also houses the company's only product-testing center outside its headquarters in San Jose, California. Six employees put devices through tests simulating 100 days wear and tear in one day and predict failure rates for different products.

"We do the same stuff as San Jose but at a third of the price," says the center's director, Joao Ofenboeck. To attract such high-end investment, Mexico's federal government gives a 50% tax break and Jalisco state, home to Guadalajara, gives an additional 30%.

Guadalajara's electronics factories have also learned to leverage Mexico's most obvious advantage: location. U.S. retailers such as Best Buy Co. want delivery of products to replace items as soon as they leave store shelves. Rather than produce those goods in China, and wait weeks for replacements or new designs to show up at stores, they turn to factories in nearby Mexico.

Consider the molded plastic parts made by Flextronics for Whirlpool Corp. washing machines. As sales of particular models - or colors - rise or fall, retailers such as Best Buy update an internal inventory system that Mr. Sykes checks on his laptop every morning. He can immediately ramp up or slow down production of particular parts or styles, and new moldings can be delivered in days.

"The gate the Chinese can't close is time and distance," says Mr. Sykes. "We've learned to exploit that."

How to seize upon such advantages wasn't obvious to Jabil until the U.S. economy fell into recession in 2001. Based in St. Petersburg, Florida, Jabil and other contract manufacturers rose in the early 1990s by making products sold by better-known firms, such as Hewlett-Packard Co. printers and 3Com Palm Pilots. Contract manufacturers allow the brand-name companies to move away from making things and focus on developing and marketing new products. As recently as the late 1990s, Jabil made 75% of its products in the U.S. But driven by cost pressures, that percentage has fallen to between 15% and 20%, according to Jabil Chief Operating Officer Mark Mondello.

For years, Jabil's plant in Guadalajara and the surrounding electronics industry were hailed as a model for the industrialization of Mexico. But suddenly U.S. companies began aggressively seeking even-lower factory costs. Within a year, nearly every product coming out of Mr. Sanchez's facility had been moved to Jabil's seven plants in China. As he watched empty floor space grow and signed workers' pink slips, he stayed up nights wondering how the factory could compete.

Pricier Products

Over a period of months, Mr. Sanchez and Mr. Mondello discussed how to respond to the China threat. Slowly, the pair realized that if Jabil lowered costs by moving commodity-type products from the Mexico plant to China, they could also save by moving more expensive products from the U.S. to Mexico.

In January 2003, Mr. Mondello gave the go-ahead for the plant in Mexico to try making a more complicated product - the router for Nokia then made in Boise, Idaho. Building a router, a small box that directs computer traffic across a network and often has more than 3,000 parts, is daunting. Since many of the machines are customized (a router for the U.K. market needs a different power cord, for instance), Mr. Sanchez had to overhaul his assembly lines to allow workers to quickly switch components, software and engineering diagrams.

At first, the shift to Mexico looked like a bad call. Accustomed to longer production runs of standardized products, the factory's inventory system couldn't keep up with more complicated items. Assembly lines idled as workers waited for circuit boards and other spare parts. Mr. Sanchez kept assigning more engineers to find out why parts were missing, driving up costs. He flew a pair of workers to Boise and had technicians from the idle U.S. plant visit Mexico.

For three months, Mr. Sanchez and his engineers worked to smooth out the kinks, often staying at the factory late into the night, chugging black coffee. One engineer manually checked inventory three times a day to make sure the correct parts were in place. By the fourth month, the Guadalajara factory had beaten every record that the Boise facility held for quality, on-time delivery, and cost, the company says. Moreover, the spare-parts tracking software that Mr. Sanchez's computer technicians developed is now Jabil's global standard.

"You learn pretty quickly when you are up every night at 3 a.m.," says Mr. Sanchez.

By early this year, the factory had 17 customers. It was churning out more than 600 products - from Internet firewalls to electronic controls for washing machines - and tracking 12,000 parts. That compares with just five customers less than two years earlier, when the factory produced only 215 finished goods and worked with 5,000 parts.

In order to train workers for the more complex processes those products require, Mr. Sanchez needed to lower the factory's employee turnover - a constant problem in Mexico as workers move on to better-paying jobs or leave for the U.S. So Mr. Sanchez meets with line workers every three months to hear suggestions or complaints. The employee cafeteria now offers a wide range of food, including sushi and cappuccino. Every three months, workers nominate colleagues who embody the company's values - concepts such as teamwork, honesty and execution. Supervisors pick winners who get pins and their names posted on a bulletin board. Turnover is down to 2% a month, from 5% a month in late 202.

Carlos Hernandez is one of those sticking around. The 23-year-old used to weld the same computer chip in place hundreds of times a day on a circuit board. Now, he welds into place five or six different components and test the board to make sure everything is working - a task that used to require an electrical engineer. Mr. Hernandez says he wants still more responsibility, despite his sixth-grade education: "This job is a lot more interesting," he says.

A Chinese Puzzle --- Surprising Shortage of Workers Forces Factories to Add Perks; Pressure on Pay -- and Prices
By **Mei** Fong
1605 words
16 August 2004
The Wall Street Journal
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English

Nanhai, China -- THE THIRD of August was **a** red-letter day for workers at Guangdong Chigo Air Conditioning. Minutes after the close of the workday, dozens stood eagerly in line for **a** rare treat in this dusty industrial town: free run of the shady, company-owned orchard, filled with ripe pomegranates. "This is **a** very nice benefit," said one of the workers, 21-year-old Chen Ya-xi, who rushed in after flashing her company ID to guards at the gate.

Pomegranates aren't the only perk at Chigo. In the past five years, Chigo's millionaire owner, Li Xinghao, has built **a** swimming pool, new housing and **a** reading room for his workers. He has also sought to decrease high employee turnover rates by raising salaries and giving bonuses to workers who stay more than three years.

Mr. Li isn't alone. After decades of abundant cheap labor willing to put up with long hours and Dickensian working conditions, the Pearl River Delta, China's manufacturing heartland, is facing labor shortages. As **a** result, more **Chinese** manufacturers are paying attention to something they rarely did before: keeping their low-wage workers happy.

The Pearl River Delta, which produces **a** giant share of the world's shoes, clothing and electronics, is short an estimated two million workers, according to China's state-run newspapers. Work forces in other provinces also are short of demand.

Here in southern China's manufacturing powerhouse, the shortage is partly due to the nation's increased prosperity, which is spawning rival manufacturing hubs in other regions of the country. The government's recent increase of agricultural subsidies, as well as increases in grain prices, also makes it more attractive for farm workers to stay on the land. As **a** result, rural income growth is rapidly outstripping urban income growth. In the first half of this year, rural incomes rose by 10.6% while the cost of living in cities rose by about 3.6%, lessening the gains farm workers make by moving to China's urban centers.

Recently, cities in southern China have been ordered by provincial governments to shorten overtime and raise minimum-wage rates after years of fairly flat-line pay. Last week, the city of Guangzhou announced it would raise the minimum monthly wage by **a** third to the equivalent of $85, making laborers there among the highest-paid in China.

While **a** few large Western-owned factories for years have been offering some perks like better pay and English classes, Pearl River Delta's labor shortage is pushing more manufacturers to offer better working conditions in order to retain staff. Some factories are now building facilities with previously unheard-of luxuries like swimming pools, dormitories equipped with television sets, as well as libraries, gymnasiums and even churches. Apache II Footwear Ltd., which makes sneakers for Adidas-Salomon AG, recently put two counselors on staff to act as sounding boards for workers, who are mostly teenage girls living far from their hometowns in China's hinterland. Esther Wang, one of the counselors, says her duties involve offering romantic advice and birth-control tips. "These girls have nothing to think about but love, love, love, because their jobs can be so boring," she says.

The labor shortage has global implications. As the low-price trendsetter for plenty of goods manufactured globally, China's rising labor costs, coupled with recent price increases in oil, electricity and commodities, could put upward pressure on China's export prices, say some economists. This could potentially raise prices of everything from consumer products to mortgages for consumers in Europe and the U.S., says Goldman Sachs chief China economist Hong Liang.

The labor shortage in coastal cities is unexpected, given China's 1.3 billion population, high unemployment rates and surplus rural labor that is officially estimated at 150 million. Economists are still divided on the reasons why coastal demand is outstripping supply. Some say this is **a** short-term problem that will be resolved once more migrant workers are informed about the rising demand. Others believe the problem is more deep-rooted, given rising educational standards and the slower labor-force growth resulting from China's strict population control policies.

According to official figures, annual population growth during the 1990s averaged 1.07%, down from 1.47% in the 1980s. Also, notes Goldman's Ms. Hong, rapid urbanization has reduced the number of available rural laborers.

What this all adds up to, experts say, is that wages will have to rise. In **a** recent research note, Citigroup economist Huang Yiping estimated that payroll spending could rise 40% to 50% as companies increase employee social-welfare contributions in **a** bid to attract workers. And as costs go up for the Pearl River Delta's manufacturers, some will move into China's hinterlands to tap into cheaper local labor there, while others will leave the country altogether, or even go out of business.

Those likely to be the first casualties of rising labor costs are low-margin manufacturers making items like clothing and toys. Loh Sai Kit, director of Yiu Fai Toys Factory in the Dongguan manufacturing hub, says he has seen several toy manufacturers close in the past six months. Some have moved to Vietnam, he says. "It just didn't make financial sense for them to go on and try to honor their agreements," says Mr. Loh, since most prices were negotiated at the beginning of the year, before costs began to climb.

Mr. Loh himself is in the process of renegotiating existing contracts, and will raise prices next year, he says. His factory, which had $15 million in profit last year manufacturing musical toys for clients like Wal-Mart Stores Inc., will likely register **a** loss this year, he said, its first in eight years.

Nonetheless, he is investing in **a** new $2 million factory with air-conditioning, **a** big plus in attracting workers in southern China's hot and humid weather. Workers are willing to take slightly lower pay in places such as electronics factories, which are of necessity air-conditioned, he says. "Here, because we don't have air conditioning, we have to pay more," says Mr. Loh, waving around his six-year-old factory, where workers in striped tunics and shower caps perspire in the muggy heat. Yiu Fai's workers are paid $85 **a** month, 55% above Dongguan's minimum wage.

Manufacturers that have started relocating inland, where pay scales are about 40% lower, face much higher start-up costs, particularly in building facilities to compensate workers for the loss of big-city attractions. Two years ago, Ngai Lik Holdings, which makes compact-disc players for Wal-Mart, opened **a** plant in Qingyuan, **a** town two hours from Guangzhou known for its scenic mountain views and tasty, free-range chicken. But Ngai Lik is facing problems recruiting labor, despite delights such as **a** pool table, **a** fully-equipped karaoke room and disco-dancing on weekends. "Nobody knows about this place yet," says manager Nelson Chiu. Outside the factory, **a** bright red banner reads: "JOB OPENINGS FOR GREAT NUMBER OF WOMEN WORKERS."

Apache Footwear, which has also relocated to Qingyuan, is partway through the process of completing **a** $25 million, giant compound that, when finished, will include housing for married workers, **a** church, **a** school, **a** mall and **a** sports hall. Already, workers are using the brand-new clinic, **a** kindergarten and **a** supermarket stocked with instant noodles, mosquito repellent and condoms. The reading room, hung with avant-garde Wassily Kandinsky prints, has newspapers from the Sichuan and Hunan provinces, poorer regions that supply **a** lot of Apache's workers.

"It's not just about pay, it's about lifestyle," says Apache Chief Executive Steve Chen. "We're building **a** community so people will stay." He won't say if his heavy infrastructure investments will result in higher product costs.

These factories are ahead of the pack. While overall conditions in Pearl River Delta factories have improved in last few years, labor unionists say there is still plenty of worker abuse. It is common for pregnant workers to be dismissed, and pension and social-security system by and large still don't cover many migrant workers. Li Qiang, executive director of the New York-based China Labor Watch, says virtual incomes of most factory workers are dropping after taking inflation into account.

China's manufacturing wealth is based on the "enormous mental and physical sacrifice of young workers from rural areas," says China Labor Watch's Mr. Li.

While labor conditions in general remain unenviable, optimists can point to the factories that are breaking the mold. In tiny Yanbu township, otherwise known as "bra town" for its many underwear manufacturers, Top Form Underwear Co.'s factory no longer supplies worker housing, opting to pay its workers more instead.

Such an arrangement is rare in factories, where employers supply -- and, by extension, control -- most aspects of their employees' working lives, from housing to recreation.

Top Form workers make on average $123 monthly, about 20% above market rates in the area. The factory, which manufactures for Playtex Products Inc. and Limited Brands Inc.'s Victoria's Secret and is part of Top Form International, started phasing out dormitories for its 1,000 workers about three years ago. Workers need to "have **a** life of their own," says Top Form manager Charles Lee. "They're not children."

Qiu Haixu contributed to this article.

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Help Wanted: China Finds Itself With a Labor Shortage

By JIM YARDLEY and DAVID BARBOZA

Published: April 3, 2005

NINGXIANG, China - The pipeline that pours young, eager workers into China's manufacturing juggernaut begins in the country's interior at vocational schools like Hunan Top Software.

So it is here in Ningxiang, a 10-hour drive from the factories on the southern coast, that clues can be found to a problem once thought inconceivable: The world's most populous nation, which has powered its stunning economic rise with a cheap and supposedly bottomless pool of migrant labor, is experiencing shortages of about two million workers in Guangdong and Fujian, the two provinces at the heart of China's export-driven economy.

For Wu Dongshan, the job placement coordinator at Hunan Top, most obvious sign of change is that factory recruiters now come to him, a reversal from three years ago, when he would make the long drive to Guangdong with busloads of students desperate for work.

"We were begging the factories to hire our students," Mr. Wu said. "We had too many students and not enough jobs."

No one thinks China is running out of workers. But young migrant workers coveted by factories are gaining bargaining power and many are choosing to leave the low pay and often miserable conditions in Guangdong. In a nondemocratic China, it is the equivalent of "voting with their feet."

March is one of the most important hiring months for China's factories, yet some analysts believe that the current shortfalls are the beginning of a long-term trend that is already bringing wage pressures and could eventually erode China's position as the world's dominant low-cost producer.

"It's not the end of the great China manufacturing story," said Jonathan Anderson, the chief Asia-Pacific economist for UBS. "But you're no longer going to be talking about China having labor so radically cheap that it will capture all the investment flows. This is an opening for Vietnam, it's an opening for India and Cambodia."

The shift, which experts say will happen gradually, began last year and is a result of two decades of strict family planning, which has made China one of the most rapidly aging countries in the world.

"The number of people in the labor force is going to be going down for the next 15 years," said Dali Yang, a professor of political science at the University of Chicago. "This is a shift in demographics that is really good, not just for salaries but for work conditions."

China remains a country where migrant workers are routinely exploited. But after a decade of stagnant wages, these workers are showing more willingness to demand their rights. Last year, factory workers rioted and held strikes in Guangdong. Other workers just left.

They can do that because economic growth in other regions has created increasing competition for workers. Many are leaving Guangdong for the rival Yangtze River Delta region near Shanghai, where many factories offer higher salaries. Others are starting to find work in larger cities in interior provinces. Some are simply returning to the farm.

"If we go to work in Guangdong, we work hard all year round but we can't save much money," said Tang Xiaoliang, a migrant worker who toiled in Guangdong factories but has returned to his village near Hunan Top. "The pay is too low. Whoever pays higher, I will go there."

The choices made by workers like Mr. Tang can influence the world's global trading network, because every decision about factory building, jobs and wages in China can alter the price of a toy at Toys R Us or socks at Wal-Mart.

Here in Ningxiang, a growing city in Hunan Province, workers began migrating south to Guangdong and the surrounding Pearl River Delta for jobs in the 1980's. At the Hunan Top Software vocational school, a recruiter from one of Guangdong's biggest electronics plants visited in December and signed 197 students up for jobs. But right now, it is unclear how many will go.

For many of the teenage students, who start working as young as 16, migrating to Guangdong often begins as a great adventure, a chance for farmers' children to see the outside world. But students like Ruan Xihua, 17, have not decided if they will take the promised job. Ms. Ruan is a tiny, cheery young woman whose parents were among the first generation of migrant workers to go to Guangdong in the 1980's.

"They told me it was pretty hard," she said. "They told me they wanted me to study hard."

Ms. Ruan is also an only child who says she wants to find work closer to home in case she needs to care for her parents.

"Most of these families have only one child because of family planning," Mr. Wu said. "They don't want their child to be far away from home."

Wages rise in China as businesses court the young

By Keith Bradsher

Published: Tuesday, August 28, 2007

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SHENZHEN, China — At the Dahon bicycle factory here, Zhang Jingming's fingers move quickly and methodically — grabbing bicycle seats, wrapping them in cardboard and smoothly attaching them to frames.

Working a 45-hour week, Zhang makes the equivalent of $263 a month; as recently as February, he was making just $197. Some of his higher pay comes from working more efficiently. "When I first started, I wasn't this fast," he said.

But a good portion reflects a raise Zhang got: to 1.45 cents for each bicycle seat from 1.32 cents. It is a small difference that signifies major change.

Chinese wages are on the rise. No reliable figures for average wages exist; the government's economic data are notably unreliable. But factory owners and experts who monitor the nation's labor market say that businesses are having a hard time finding able-bodied workers and are having to pay the workers they can find more money.

And higher wages in China are likely to lead to higher prices in the United States — at the mall, at the grocery, even at the gas pump.

Chinese companies are already passing along some of their higher costs to overseas customers. Prices for goods from China, after years of gradual decline, have risen 1.2 percent since February, according to the Labor Department. July's increase was the biggest yet: 0.4 percent compared with June. Chinese companies and contractors are also passing on the cost of the rising value of their currency, the yuan, up 8.8 percent against the dollar in the last two years.

For decades, many labor economists said that China's vast population would supply a nearly bottomless pool of workers. So many people would be seeking jobs at any given time, this reasoning went, that wages in this country would be stuck just above subsistence levels. As recently as four years ago, some experts estimated that most of the perhaps 150 million underemployed workers in the countryside would be heading to cities.

Instead, sporadic labor shortages started to appear in 2003 at factories in the Pearl River delta of southeastern China. Now those shortages have spread to factories up and down the Chinese coast, specialists say.

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This summer, Mary Gallagher, a Chinese labor specialist at the University of Michigan, visited five sportswear factories near Shanghai and Guangzhou. She found them all struggling to hire and retain workers. One had shut one of its two main production lines because it had nobody to sew shirts and other garments.

"Basically half the factory was shut down and one dormitory was empty," Gallagher said.

In interviews, factory executives across the country complained of being forced to give double-digit raises in order to find and keep young workers at all skill levels. Three or four years ago, said Zhong Yi, vice general manager of a leather-jacket manufacturer in Hangzhou in east-central China, 800 to 1,100 yuan a month ($105 to $145) "was a good salary."

"Now," he said, "1,500 is the bottom" ($198).

Chinese officials are quick to say that there is no overall shortage of labor — rather, there is a shortage of young workers willing to accept the low wages that prevailed in the 1990s. Factories in cities like Guangzhou advertise heavily for young workers, even while employment offices consider it a success if someone over 40 can find any job in less than a year.

"Now they're taking workers into their early 30s," said Jonathan Unger, director of the Contemporary China Center at Australian National University in Canberra, "but anything older than that and they think they can't take the conditions, the 11-hour days," as well as work on weekends, and a tedious life in factory-owned dormitories.

Plant owners' refusal to hire blue-collar workers over 35 or 40 is colliding with the demographic reality of China's one-child policy. The number of workers in the 20-to-24-year-old range is already shrinking as more of them go to universities instead of entering the work force after high school, and the International Labor Organization projects that workers in this age range will edge slowly downward through at least 2020.

Visiting villages from tropical Gaoyao in the southeastern corner of the country to dusty Houxinqiu in the northeast, it is striking how few young adults remain after so many have left for the cities. A recent government survey of 2,749 villages in 17 provinces and autonomous regions found that in 74 percent of villages, there were no workers fit to travel to distant cities, according to the official Xinhua news agency.

A separate report by the Chinese Academy of Social Sciences warned of coming labor shortages even in rural areas as soon as 2009.

This lack of laborers of desirable age is hardly making China a worker's paradise. Factory wages remain extremely low by Western standards: roughly $1 an hour for better-paid workers near the coast, compared with as little as 50 cents early this decade.

The pay looks especially low in dollar terms, partly because China has intervened in the currency markets to hold down the value of the yuan and keep exports competitive. The cost of living is low in dollar terms for the same reason; entrees at an air-conditioned restaurant three blocks from the bicycle factory here start at 50 cents for a large plate of fried rice.

Moreover, labor regulation is weak in China, as shown most vividly this year by the discovery that brick kilns in the north of the country had kidnapped and enslaved hundreds of children and mentally disadvantaged adults, working them under brutal conditions with little or no pay.

And wages are stagnating in the middle of the labor market — workers who consider themselves too educated for entry-level jobs in a garment factory, but lacking the skills or experience to command a premium salary elsewhere. "It's easy to find a job with not a very high salary," said Chen Zheng, a 24-year-old auto worker and high school graduate in Ningbo. "It's not easy if you want a higher wage."

The hardest variable to judge in China's changing labor market is the pace of productivity growth. Since there are few reliable statistics, the best way to assess productivity is to look at individual factories like the Dahon operation here, which produces bicycles that collapse for easy storage.

David Hon, chief executive of the privately held Dahon Group, said that while he had been raising wages 10 to 15 percent a year, the average labor cost for each bicycle had actually edged downward. This is possible, he said, because sales are growing 30 percent a year and increasingly large-scale production has brought savings. The cost of engineering a new bicycle design, or handling the accounting and other back-office operations, is spread over more and more bicycles as production rises.

The price changes in China are unlikely to immediately affect broad measures of inflation in the United States though longer-term effects are likely, the Federal Reserve chairman, Ben Bernanke, said in a speech on March 2, just as prices for imports from China were reaching a low point. Bernanke suggested that the price changes would have minimum effect because the total of Chinese imports was small in relation to the broad American economy.

A bigger question, one harder to answer, is how much cheap Chinese imports have forced American manufacturers to keep their own prices low. And will that price restraint persist if Chinese products become more expensive?

For instance, American, European and Japanese automakers have been putting a lot of pressure on parts suppliers to cut prices by forcing them to compete for contracts with low-cost Chinese producers.

Rising overall incomes in China also affect American inflation indirectly. Higher incomes in this country contribute to soaring demand by Chinese for cars, air-conditioners and other energy-consuming products.

China is now the world's second-largest oil importer after the United States. More demand will help push up global oil prices and inflation.

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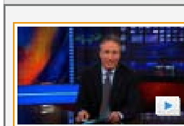

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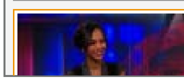

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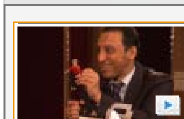

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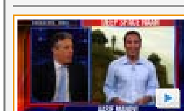

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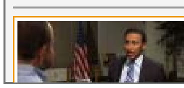

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