

## **Globalization, Economic Restructuring and Competitiveness in the Metropolitan Area of Leon, Guanajuato, Mexico**

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### **Abstract**

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Social and territorial spaces around the world are undergoing economic restructuring due to globalization process that has led to the removal of restrictions on capital mobility and the factors of production, and therefore, flows of capital, goods, technology and especially the expansion of markets. This transnational reorganization of production and market globalization has led to the relocation of economic activity and spatial agglomerations. The relocation of production activities has generated that local spaces acquire great importance, precisely because of the mobility and networking in the space of the different capitals: production, financial, human, goods and information. Certainly globalization changes the spatial distribution of economic activity and accentuates socioeconomic differences among localities and regions, since they exhibit different rates of economic growth and social progress, because these spaces are not inserted in the same way, not to the same degree, in the new globalized economy. In this paper the economic restructuring that has experienced the metropolitan area is analyzed in Metropolitan Area of Leon, Guanajuato, Mexico, in the last decades as a result of globalization, especially productive restructuring and relocation of production activities by both transnationals and national enterprises. The Metropolitan Area of Leon has become an area of attracting foreign direct investment, i.e. a "growth pole", where the location of industrial activities is encouraged, and providing new investments, and the opportunity to exploit economies of scale reducing costs due to expansion and to merge with another companies. As a result, it has developed an economy called agglomeration geographic concentration of automakers and auto parts mainly in Silao, one of the municipalities that are part of the area. This agglomeration economy has led to intense processes of competition between regions to attract investment, processes in which the State of Guanajuato has participated strongly and particularly Metropolitan Area of Leon. The purpose of this paper is to examine the processes of economic restructuring of the area, and how has been developed the spatial and economic agglomeration, its impact on local economic growth, and competition generated between municipalities and other regions of the State of Guanajuato.

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## 1. Globalization and Economic Restructuring

In recent years the dynamics of the process of globalization has led to increasing liberalization of the economies of the countries, to an expansion of the activities of transnational corporations worldwide and in a substantial increase in foreign direct investment done by them, an expansion of intra-firm trade, to an extension of international trade. In summary the process of globalization has led to a growing integration of national economic systems together, raising the national and international economic competition between countries, companies and producers to intensify.

This economic dynamic is based on the development of a new regime of capital accumulation which consists of the deployment of new, flexible and decentralized forms of the production process, through which the transnational corporations are seeking higher profits. In fact, the main flexibility is displayed in the decentralization of production in several places, and decomposition of the production process in many threads and subunits worldwide, which means playback technologically advanced production processes in various locations and the integration of markets, in short, the creation of a global capitalist system (Bonanno and Douglas, 1996). Regarding decentralization FalkerFröbel states:

"... The development of the world economy has increasingly created conditions (forcing the development of the new international division of labor) in which the survival of more and more companies can only be ensured through the relocation of production to new sites in industry, where labor is cheap, plentiful and well disciplined, in short, through transnational reorganization of production" (Fröbel, 1977:15).

In addition, the author explains that this reorganization has led to a new international division of labor, under which developing countries are not only raw material suppliers, but have become the sea to the processing industries whose production is oriented world Trade. Consequently, it can be seen that the process of globalization is the transnational reorganization of production in advanced production processes play in various countries, giving rise to a new international division of labor resulting from the dynamics of capitalist development.

It is noteworthy that among the new flexible forms of the production process are horizontal linkages of enterprises and producers, ranging from external sources of production, part-time jobs, temporary work, subcontracting, forms of domestic production, handcraft, etc.

Thus, the new regime of accumulation was characterized by the restructuring of the forms of work (by the change in the nature and type of work), as well as other forms of activities, in short, with the flexibility that it is looking for the most profitable combination of capital/labor.

According to this perspective precisely the global dimension that takes the economic process is due, on the one hand, decentralization of production in various parts of the world, and on the other, natural and global source of human resources companies used in the search of cheap factors of production, on the basis that they have established a world without borders.

The transfer of the productive capital of the companies to various countries, namely the expansion of its production capacity and investments outside their national borders, especially to developing countries where labor is cheaper, along with decomposition in many subunits (which are financial owners) and the use of resources from anywhere in the world causes global operations made companies and their production is oriented to the world market.

Apparently there is losing control and capitalization of the parent companies, but on the contrary, greater profitability and security because the financial ownership of several companies allows them to act quickly to seek better production and commercial conditions for capital accumulation.

This shows that globalization refers to extensive production, trade, financial transactions made by companies worldwide, operations that produce new economic, social and communication interdependencies. In short, we can say that the new regime postfordist accumulation is causing a productive restructuring; a transnationalization of production with technical and organizational changes based on the flexibility of the capital/labor ratio, and its distinctive feature is the simultaneous playback of processes advanced production in various locations and the integration of a global capitalist system.

It is important to note that the globalization process is distinguished by the fact that the trans nationalization is made at the level of production itself, or in other words, that integration is given in national economies to one global economy and this occurs not only commercially, but at the production level.

Christian Palloix states that "... today, internationalization has spread not only through the circuits of commodity capital and money capital, but reached its final stage, the internationalization of productive capital" (Palloix quoted by Ianni, 1996:37).

It notes that this transnational integration of productive sectors is performed by highly profitable large transnational corporations who specialize in certain productive sector; these, the decentralized, hold a binding operations, i.e., the productive sector that operate across national borders and thus create intra integration, causing the dismantling of the productive structure of each country and its increasing integration into the world economy. This disruption has meant that the productive structures of the countries, especially backward countries do not match the social needs of their populations.

The intense economic competition between companies and producers, are forcing them to expand and streamline of their production capacities as well as respond to new demand patterns, to incorporate new technologies in their production processes or to develop themselves in new collaboration technologies that give them competitive advantages.

This is possible, since the use of advances in science and technology provides enterprises and producers the ability to streamline their production processes, to reduce costs, to produce new products, diversify production, to raise the quality of their products and target new markets. It should be noted that transnational corporations are generally those with their hands on the technology development and thus those in control of the most advanced technological sectors such as automotive, chemical, pharmaceutical, petroleum, mechanical, electronics and biotechnology.

The new economic model has brought economic restructuring in the countries, which consisted of changes in production, demand and migratory flows. Certainly this new model has generated changes in the patterns of industry location (Chavez, n.d.). But an important fact is that the industry is located unevenly in space, which previously was attributed to some places that had greatest natural resources, or infrastructure, but today this argument is insufficient to explain the location of companies, as regions with similar resources present very different production structures. The new economic geography has developed an approach, that of "agglomeration economies" which states that the central factor that favors the agglomeration is that companies need to be near the plants supplying inputs to minimize transport costs, leading a process of cumulative capital.

Since 1890 Alfred Marshall explained the advantages that companies have similar production because of its geographical proximity, such as the creation of a specialized labor market, dissemination of technological externalities, support from specialized suppliers, which means that geographic agglomeration of them allows companies to benefit from all of them, for their own development.

Marshall's work had a great influence on the development of the latest economic, as in the case of the statements of Michael E. Porter, who in 1990 introduced the concept of clusters, referring to the geographical concentrations of inter-related industries and specialized in a particular field. This author stated that the use of external economies may lead to increasing returns to scale in the local industry, in other words, that as the industry bigger and linked to each other more, and the costs will be lower with increasing size concentration of similar companies.

For his part, Paul Krugman with his contributions to New Trade Theory and New Economic Geography, employs the category of agglomeration economy to designate where the concentration of resources (suppliers, services, human talent), favors companies (public and private), giving them the advantage of increasing their profits as reduce their costs because of the proximity they have to get the resources, by being in the same geographical space. This interest agglomeration of companies and the population causes in an increase in productivity due to investment that sits in the territory, which results in a prosperous development for such aggregate space (Krugman, 1992 and 1996). Recent studies have shown that these economies of agglomeration can be considered at different levels of aggregation, starting with small scale or well defined, such as highly specialized industrial districts sectors, and ending with large-scale agglomeration crossing the boundaries of states or countries.

Undoubtedly, in recent years, globalization has intensified competition from companies in the markets, which has led to economies of agglomeration with relevance, as the competitiveness of companies is based on the continuous incorporation of new technological, and certainly in the low production costs, making the company concentrated territories, and thus are sources of external economies, attractive location for companies. However, in the case of Mexico, the economic restructuring has involved the adaptation of stabilization policies, adjustment and restructuring of production, to put in place the new development model oriented outward.

It is noteworthy that Mexico has been getting loans from investment banks (which have the backing of the United States of America), nominated in US dollars, so that changing the monetary policy of the United States, which meant the abandonment of monetary and fiscal policies cutting Keynesian and adaptation of a policy to contain inflation in the country, Mexico had to renegotiate its debt, for which he was asked to implement institutional, such reforms such as cutting welfare expenditure, more flexible labor laws and privatize public enterprises, all of which is known as "structural adjustment" (Harvey, 2006).

So the adoption of the new development model has involved the modification of the welfare state (which prevailed during the previous economic model called stabilizing development, which was oriented towards import substitution, trade protection and care of the domestic market) giving way to a state with less intervention in the economy, which gives more support to the private sector and privatizing public enterprises.

In fact, Mexico has promoted free trade, and is concerned about creating a good business climate to attract foreign investment, which has led to processes of concentration and centralization of capital and production relocation in search of obtaining competitive advantages.

This relocation of production has led to spatial changes in economic activity, the relocation of industries in other geographical areas outside the old industrial centers, as well as to smaller cities acquires relevance, without implying that large cities lose importance in the globalization process, since they concentrate functions of management and control of financial operations and management. As noted by Chavez, "... the major cities have acquired an important role within the new system. Concentrated command functions; postindustrial sites are production leaders and specialized financial services companies; and are transnational markets where companies and governments can attract financial instruments and specialized services "(Chavez, n.d.: 26).

In one of the seven major metropolitan areas of Mexico, Leon, Guanajuato, we can see that it is undergoing a process of economic restructuring and agglomeration that is a result of globalization and the economic policies adopted by the federal government and the state government, and what it has meant for economic growth and competition generated between the municipalities that comprise it, as shown below.

## 2. Economic restructuring and competitiveness of the metropolitan area of Leon, Guanajuato, Mexico.

In the case of the State of Guanajuato, which is one of the 31 states that make up the Mexican Republic and has an area of 30628.17 km<sup>2</sup> (1.6% of the country) and a population of 5, 486, 372 inhabitants in 2010, and ranks as the sixth most populous entity nationally and seventh national economy, one of the major metropolitan areas of the country was formed, the Leon, which is comprised of a central city, Leon, and adjacent peripheral municipalities which have significant relationships with the central city. This area consists of four municipalities: Leon, Purisima del Rincon, San Francisco del Rincon and Silao, located in the western state of Guanajuato, occupying an average area of 3087.00 km<sup>2</sup>.

### Guanajuato and Metropolitan Area of Leon



Source: Authors.

Since the nineties of the twentieth century, the State of Guanajuato flourished a process of economic restructuring prompted mainly by the adoption of free trade economic model implemented by the Mexican state, a model that has led the country seeks to be competitive in the economy global, that is, to participate and be placed in a better position in the markets through trade liberalization, increased exports and a gradual elimination of tariff barriers.

With the integration of Mexico to international economic cycles, the state of Guanajuato has faced an economic environment in which elements such as productivity, foreign direct investment, innovation and integration of value chains are essential to better inserted in a globalized economy.

As competition between countries and regions is a common denominator and competitiveness has become a key element for better positioning in global markets, the Guanajuato state government has decided to make efforts to attract foreign investment that considers this as a fundamental variable in promoting competitive development.

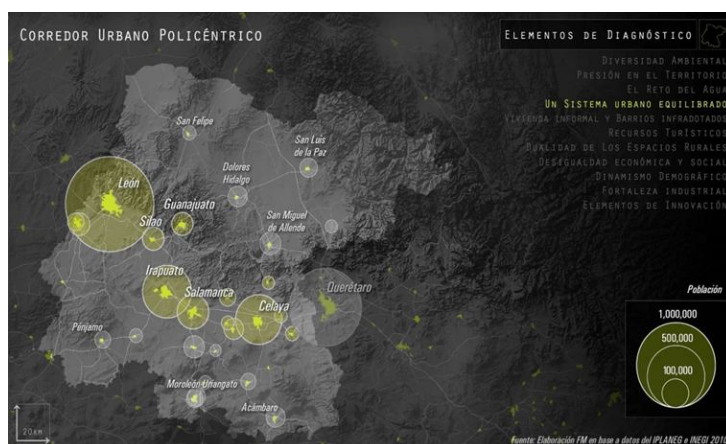
Certainly the economic policy of Guanajuato is aimed at promoting the existing and potential economic activities that are present in an area or region, to create the conditions of a business friendly environment, conducive to investment, job creation, an increase of the total factor productivity and hence competitiveness (Guanajuato State Congress Measure for development and economic competitiveness of the State of Guanajuato and Municipalities, 2013). Precisely in order to achieve greater competitiveness, the government intends to strengthen business environment, with a legal, regulatory and policy framework that will facilitate the attraction and consolidation of new and complementary local, national and international investments.

Among its goals, one is the boost logistics development and connectivity to strengthen production linkages, investing in infrastructure to reduce costs and time in transportation, that is, to achieve accessibility and ensure communication between different companies and production inputs distribution of goods, services, information and people, in other words to attract companies looking to reduce their costs of production and transportation. Although, the Guanajuato state government said that the connectivity is also intended that the inhabitants of remote areas have access to other areas and thus access to essential goods and services, this does not happen necessarily in many cases, as discussed below .

Following the adaptation of this economic policy Guanajuato like the rest of the country is experiencing changes in its production structure as a result of economic globalization, as well as the actions they have undertaken the government and other stakeholders to this economic dynamics. Certainly, these changes in the pattern of economic activity in the state are manifested in the decline in agricultural activity in recent decades, and the importance that have claimed the activities of industry, commercial and real estate services. It is worth mentioning that for several years has been deployed in this entity an industrial corridor (comprising the following municipalities: Leon, Silao, Irapuato, Salamanca, Apaseo El Alto, Apaseo El Grande, Celaya and Villagrán), where they are established various industries such as textiles, footwear, tannery, chemical, petrochemical, metallurgy, agribusiness, automotive, auto parts; and others directly or indirectly linked to them, and along with them have developed medium-sized cities.



## Guanajuato Urban Industrial Corridor



**Source:** Metropolitan Fund 2012

But since the nineties of the twentieth century there is a growing presence of foreign companies in the territory of Guanajuato, so that local companies have to make efforts to diversify its markets elsewhere in the world. In the same period stands out the production of cars and auto parts in Guanajuato, a result of the relocation of transnational companies, found in this country a favorable place for its establishment and whose production is export-oriented. It should be mentioned that this relocation of transnational companies in the automotive sector has made especially in the Metropolitan Area of Leon (MAL).

Undoubtedly, the establishment of transnational companies this entity has been an action favored by the state government of Guanajuato, who following the free market economic model has placed foreign direct investment as the engine of the local economy, so is looking attracting such investment, which has resulted from the nineties of the twentieth century highlight the automotive industry as the main trigger for the arrival of the state capital. It should be noted that the year 2007 to date that the companies that have made investments in Guanajuato are precisely the automotive sector, Japan: Honda, Toyota and Mazda, with an investment of 3 billion dollars, Volkswagen of Germany with 668 million, General Motors of the United States with 549 million, Ford/Getrag United States and Germany with 1,200 million and Pirelli of Italy with 400 million. (Ministry of Economy, Ministry of Economic Development)

Also in the food industry they have made foreign investments, mainly from Nestle of Switzerland, Italy Ferrero, Mars Danone of France and US companies jointly invested in the state \$733 million. (Ministry of Economy, Ministry of Economic Development)

Also, the chemical sector has received foreign capital, companies Procter & Gamble, Colgate Palmolive and BDF Nivea have invested 670 million dollars. (Ministry of Economy, Ministry of Economic Development) Undoubtedly, in the context of the economic dynamics of the state of Guanajuato, Metropolitan Area of Leon is also experiencing, and more significantly, changes in production structure which is occurring primarily in restructuring of production processes and relocation of production activities transnational companies as national, in the context of globalization. It is important to note that in recent years, Mexico underwent a process of concentration of population in urban areas, and initiated processes of formation of metropolitan areas, so in Guanajuato have formed some metropolitan areas (MA), these are the Irapuato-Salamanca, MA Laja-Bajio, the MA Uriangato-Yuriria-Moroleon, the MA Penjamo-La Piedad and MA Leon. Of these, the Metropolitan Area of Leon (MAL) is one of the main areas of the country, due to its high concentration of population and economic activity.

This area consists of a central city, which is the Leon, and adjacent peripheral municipalities that have significant relationships with her. The MAL is formed by the municipalities of Leon, Purisima del Rincon, San Francisco del Rincon, and Silao, located in the western state of Guanajuato covering an average area of 3087.00 km<sup>2</sup>. Note that the MAL is the central place of the urban hierarchy Bajio region, that region is comprised of eleven municipalities in 2010 had a population of 2.9 million inhabitants and in 2008 recorded a GDP of 36 billion dollars. With regard to economic activity, localities senior manufacturing concentrated mainly deployed agglomeration economies (Sobrinio, 2011).

In the context of the economic dynamics of the state of Guanajuato, the MAL is also experiencing significant changes in its production structure, characterized by a process of productive restructuring and relocation of production activities by transnational companies as national. Note that since the mid-twentieth century the economy of the Metropolitan Area of Leon was based primarily on the development of the leather-footwear industry, in the manufacture of hats, in agricultural production, as well as in the textile and clothing, chemistry and metallurgy. Currently, the development of services, trade, automotive and auto parts industry leather-footwear, food, metalworking, textiles and clothing, chemical, transportation, specializing in care to highly specialized health and tourism business is the basis of its economy.

The economic performance of the MAL can be seen in its gross domestic product at current prices. The city of Leon in 2005 recorded a higher production value, which placed him among the ten municipalities with the highest GDP nationally, and the difference in the value of their production in other municipalities of the area was wide, which showed the concentration of much of the economic activity in this county and its level of development (see table 1).

**Table 1. Gross Domestic Product Municipal 2005**

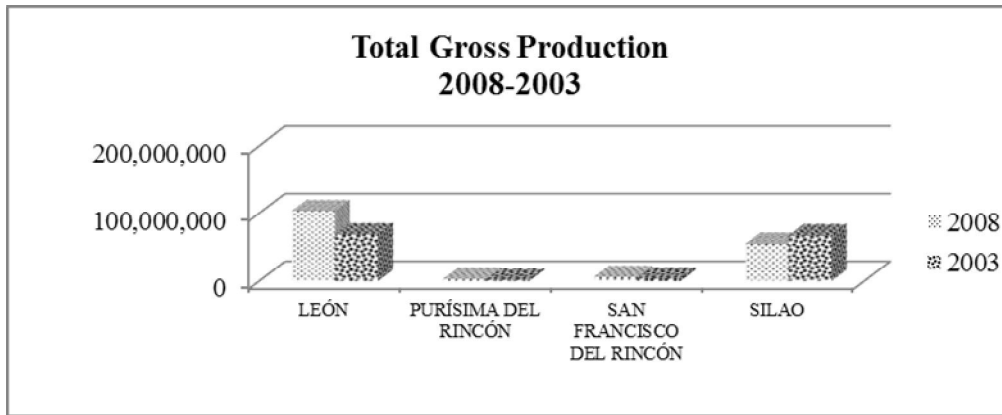
<b>Municipality</b>	<b>2005 GDP at current prices</b>	<b>2005 per capita GDP in dollars at current prices</b>
<b>Leon</b>	<b>114,574,828,515</b>	<b>89,646</b>
<b>Purísima del Rincon</b>	<b>3,657,936,294</b>	<b>65,425</b>
<b>San Francisco del Rincon</b>	<b>9,178,164,675</b>	<b>88,921</b>
<b>Silao</b>	<b>7,815,563,157</b>	<b>53,123</b>

**Source:** INAFED. Municipal Information System

For 2011, the gross domestic product of MAL was 336.114 million pesos, a domestic product per capita of 185.514 pesos, and with an investment of 100.480 billion pesos (IMCO, 2011). This means that over a period of six years from the MAL gross domestic product almost doubled, reflecting the economic growth experienced by this country.

Undoubtedly, Leon remains the main economic center of not only the MAL, but also the entire state of Guanajuato, however, other municipalities have also become important, to be developed as part of this area and to deploy an economic dynamic intersectoral and intermunicipal. In fact, the city of Silao has experienced some development driven by the designated relocation of transnational auto companies, and links them with certain production and commercial circuits in the world.

Certainly within the MAL are differences in the development of productive activities and services, as well as with regard to the amount of goods and services produced. Looking at the total gross production area, we have the municipalities that contribute to it are those of Leon and Silao, although it is noteworthy that in the latter dropped its production in 2008, while San Francisco and Purísima del Rincon contribute to a lesser extent (see figure 1).

**Figure 1**

**Source:** Own calculations based on INEGI Economic Census 2009, with data 2008.

Note that in 2013 Guanajuato already had 973 foreign companies, of which 461 were established in the city of Leon, only 4 in Purisima del Rincon, 45 in San Francisco del Rincon and 60 in Silao. This shows that the MAL has become an area of attracting foreign direct investment. Most of this investment is directed to the manufacturing sector, especially in the automotive, food subsectors, fabricated metal products, chemical industry, and in the retail auto parts and spare parts (Ministry of Economy 2014). In fact, the MAL has become a "growth pole", that is, an area in which the location of industrial activities is stimulated and providing new investment opportunity to exploit economies of scale, this is, reduce costs due to the proximity of suppliers of inputs and their interaction with other companies. With the location of industrial activities mainly in Leon and Silao seeks to boost economic activity, not only in the region but also around Guanajuato.

For companies to be installed in the MAL, the state government and local governments offer them a number of economic attractions and infrastructure, which have to do with: tax breaks, grants, equipment, and even land that has been expropriated or paid very low prices, usually ejido farmers. Certainly, it has developed an economy of agglomeration by the geographical concentration of automakers and auto parts mainly in Silao; conglomeration that allows them to bond and enjoy certain services, such as transportation, infrastructure, telecommunications, financial institutions, labor availability. Among those companies we have General Motors, Volkswagen, Pirelli, and Hino Motors (a subsidiary of Toyota).

On the other hand, the municipalities of the MAL that have more economic units are Leon and San Francisco del Rincon, which shows the centrality of the municipality of Leon and the relative increase in economic activity in San Francisco del Rincon in recent years, as well as an increase in such units in Silao, led largely by the development of the automotive cluster in this county.

**Table 2. Economic Units 2003-2008**

<b>Municipality</b>	<b>2003</b>	<b>2008</b>
<b>Leon</b>	<b>43,359</b>	<b>54,553</b>
<b>Purissima del Rincon</b>	<b>832</b>	<b>1,586</b>
<b>San Francisco del Rincon</b>	<b>4,030</b>	<b>5,118</b>
<b>Silao</b>	<b>3,775</b>	<b>4,356</b>

**Source:** INEGI (2009) 2009 Economic Census

Now, in the municipality of Leon there are a greater number of economic units in the sector of retail, followed by the manufacturing industry, then by the services and temporary accommodation and food preparation and drinks which it indicates that in that municipality are becoming increasingly important service sector activities.

As can be seen, all municipalities show some diversification in their economic units, with a predominance of trade and services, and in recent years the city of Silao has, as already noted, a specialization in automotive manufacturing.

However, according to the contribution each industry makes to the total gross production, we find that in the case of Leon, the main contributor is the tertiary sector, while in the case of the other three municipalities is the sector manufacturing, indicating that is occurring phenomenon called tertiary sector in the economy of the municipality of Leon.

**Table 3: Contribution by Sectors to Total Gross Production MAL 2010**

	<b>Situation GDP for tertiary sector</b>	<b>Agricultural industry situation</b>	<b>Situation manufacturing sector</b>	<b>Situation tourism industry</b>
<b>Municipality</b>	<b>Percentage contribution of the tertiary sector to the Gross Output Total (PBT)</b>	<b>Percentage of contribution of the primary sector to the Gross Output Total (PBT)</b>	<b>Percentage contribution of the secondary sector to the Gross Production Total (PBT)</b>	<b>Percentage of contribution of services sector temporary accommodation and food preparation and drinks Total Gross Production (PBT)</b>
<b>Leon</b>	<b>50.1</b>	<b>0.002</b>	<b>49.9</b>	<b>2.77</b>
<b>Purísima del Rincón</b>	<b>9.9</b>	<b>0.02</b>	<b>90.1</b>	<b>0.77</b>
<b>San Francisco del Rincón</b>	<b>26.9</b>	<b>n/d</b>	<b>72.9</b>	<b>2.46</b>
<b>Silao</b>	<b>4.2</b>	<b>n/d</b>	<b>95.8</b>	<b>0.4</b>

Source: Compiled with data from INEGI. Economic Census 2009

Table 3 shows that the municipalities of the MAL have not experienced the same development in all economic sectors. While there are certain sectors such as retail, manufacturing and services, which predominate in all these places, which means that these municipalities have a diversification of economic activities, although clearly the city of Silao exhibits a vocation manufacturing. Clearly the MAL is primarily a commercial and industrial area and that increasingly develops Leon municipality service activities. As noted Palacios, in the MAL they are developed on the one hand, management activities of production, such as financial services, professional, communication and transport, enabling the industry linked to the international market, and Moreover, many informal activities resulting from the lack of capacity to generate productive jobs (Palacios, 2010:96-97) are deployed service sector.

In the case of the municipality of Leon he reoriented its economy. In the early twentieth century it was based on the leather-footwear industry, in fact shoe manufacturing was the main productive activity which occupied more than 35% of the EAP. Now, in the first decade of the century, the town's economy is based on services, construction industries, plastics packaging in metal products, automotive procurement, business tourism and care health.

This does not mean that the leather-footwear industry has been abandoned; however, it remains important, to the chemical industry. While it is true that both have lost weight against the further development presented by the service sector, and in the case of the leather-footwear industry, by opening up markets which meant the introduction to the domestic market of shoes made in different countries.

It notes that the shoe manufacturing industry had to restructure from trade liberalization to be maintained, which meant reconfiguration decomposition of the production process in many threads and subunits. Precisely this process of fragmentation is characteristic of post-Fordist regime of accumulation, as noted by Fröebel (1977), it reflected in the fact that a high percentage of micro work some shoe components and do by order of medium and Large companies, such as point Iglesias and Rocha (2006).

In addition, trade liberalization represented for the leather industry and footwear in Mexico, face competition from other producing countries with the aim of, first, winning the North American market, which is our main buyer, and secondly, winning the domestic market, as it now enters footwear from countries like Brazil, Spain and China among others.

Moreover, in recent years, the leather-footwear industry is decentralized, which means that this production has shifted from Leon municipalities of San Francisco del Rincon and Purisima del Rincon, following the pattern of capital accumulation of decentralization, which it seeks to lower production costs. Even several major shoe factories such as Emyco, Proshoe, and Flexi Vavito have moved some of their production to these other municipalities (Newspaper AM, April 8, 2014).

This decentralization of the footwear industry was made largely because Leon is very close to the other municipalities and well connected by road, so even on the journey between these municipalities and Leon have been installed or companies producing shoes inputs for this industry.

All this means that the footwear and leather has been one of the most consequences arises due to the globalization process, which is why he is going through a restructuring process that involves on the one hand, the fragmentation of the production process many threads and subunits, and secondly, the relocation of production in the municipalities of San Francisco del Rincon and Purisima del Rincon (where labor is cheaper) through the installation of small workshops and factories.

As noted, one of the branches of the economy has also been impacted greatly, is the auto industry. Transnational capital linked to this industry did not choose the municipality of Leon to settle rather bent by other municipalities, in the case of the MAL have chosen Silao to install their companies, but also preferred to other Guanajuato municipalities that are not part of the MAL, as in the case of Celaya chosen by the company Honda, and Salamanca selected by the company Mazda.

Indeed, since 1994 began to develop a cluster of the automotive industry, in Silao, with the arrival of the General Motors Company (GM) which set up a plant, and this corporation of origin American who currently operates in almost everyone, undertaken here, the construction of a complex to assemble trucks, comprising an assembly plant, another engine and a stamping. Then in 1997 it continues its expansion with other engine plant, then with another stamping, and in 2008 establishes a transmission plant and relocating their production activities.

In addition, other auto parts companies many of them subsidiaries of GM began to settle in Silao, most of them suppliers of inputs for the company, among which include: American Axle Manufacturing, Oxford Automotive, Aventec, Sadmex, Continental Teves, Plastic Omnium, Maflow, GrupoAntolin, Condumex, USM Mexico, Noble Sumite of Mexico, Lear, Robinson, Lagermex.

Undoubtedly, GM deploys agglomeration economy to compete in the market and expand its earnings, that is, with the installation of an automotive complex corporation itself elsewhere in the world and to promote the establishment of a network of related companies its production process, in other words, transfer their production to Silao capital and produced the concentration of economic and commercial activity in the area itself Silao. Spatial concentration of production makes Silao, at a particular site of automobile production and exports in a very clear example of the spatial dispersion of economic activity worldwide. Space in which the productive activity its municipal head is particularly concentrated in one geographical area, on the outskirts of the town's most important urban center.



Specifically, the majority of companies have been installed in industrial parks, and in confined and especially for the settlement of industrial plants at suitable location, infrastructure, equipment and services designed geographic areas; areas also began to be built with the arrival of companies. Fourteen years have built four industrial parks, namely the Fipasi Industrial Park, Industrial Park Hills, the Nesin Park and the latest Santa Fe Industrial Park, part of the government's most important project, called Puerto Interior, which will be discussed later. Some data indicate that between 1995 and 2004, 25 domestic and foreign companies related to GM and the auto industry, almost 80 percent of cases are settled. It has also set other companies from other branches, attracted by the development of industrial parks, such as the Wrigley Company, which is engaged in the manufacture of chewing gum, the marketer of footwear Andrea, and others, such as textile companies, confectionery, and tubes.

Companies have been attracted by favorable conditions that account Silao for them to carry out their capital accumulation, including: a) a good geographic location (located in the industrial corridor that has roads connecting the cities ports, border areas and Mexico City, the country's largest city and place where administrative and financial offices of the GM of Mexico located), b) optimal access infrastructure, an international airport, c) an inland port under construction, d) a railway, roads, e) good weather, f) a peaceful social space, g) cheap labor available, not only the city but also other nearby municipalities (Leon, Irapuato, Celaya, and even from other states. Queretaro, State of Mexico, Mexico City) and not only that but also h) tariff reduction offered by the Mexican government derived from the North American Free Trade Agreement (NAFTA).

It should be mentioned that the railway network which crosses the municipality has Silao and industrial parks, with the operation of the company that transports goods via Ferromex railroad, creating an important industrial development of the municipality logistics service, since the existence this network and service company Silao connects with the main cities of the country. Mexico City, Guadalajara and Monterrey, as well as the most important seaports of Mexico.

Concerning inland port, is one of the most important works of the state government is in the process, and comprising: an inner office to effect imports and exports, a service area including: industrial parks, fiscal area, an intermodal terminal that facilitates the connection between rail and road transport for freight and government offices. All this makes Silao, undoubtedly, a strategic territory for companies.

So Silao has become a territory chosen by GM and other companies related to it to invest their productive capital, so we find that only in the last five years the municipality has received more than 2,000,500 million dollars in foreign direct investment, according to data provided by the Director of Economic Development of Silao. (Newspaper AM, April 24, 2008) A revealing fact is that with the arrival of GM Silao, this city became the main exporter in the State of Guanajuato, concentrating 64.44% of total exports of the State as well as that the main export products trucks are state, passenger, skin cuts for automotive seating assembly and auto parts.

Here is no doubt that the transfer of the productive capital of the GM Silao due to the Corporation in this municipality an environment conducive to make their production processes and to achieve capital accumulation and transfer of productive capital that has been a booster place industrial, urban and population growth, in this place, although it is not the central place Metropolitan Area of Leon, which is the same municipality of the same name, thereby creating a different economic and social dynamics in this area.

Obviously one of the main changes that have led the arrival of GM and other companies to Silao, is that this municipality has ceased to be a strongly rural territory to become an industrial urban area whose economic activity is aimed at export. Until recently, the economy of Silao was largely based on agriculture, indeed, this municipality is part of the Bajío Region, a region long regarded as the "breadbasket of Mexico," for important agricultural activity that took place in it, but even if so far in Silao agriculture still occupies a large area of its territory 74%, no longer the basis of their economic growth.

Following this, the production structure underwent a fundamental change Silao as being a territory of agricultural character has become a place of automobile production. Cluster has become the main economic activity and that is, as noted, one of the main areas of government policy to attract investment. The automotive cluster is the expression of the deployment of a new form of flexible productive organization, product spatial practice of globalization and the spread of economic life, by moving productive capital TNCs that territory, where the concentration is also presented and agglomeration of economic and commercial activity. This spatial concentration of auto production turned Silao at a particular site of production and exports, a clear example of offshoring, fragmentation and spatial dispersion of economic activity is currently happening worldwide, as production of auto companies it is basically oriented to the world market.

Regarding the municipality of San Francisco del Rincon have its economy has also undergone changes, agricultural activity has fallen, and hats manufacturing industry, which had historically been the most important since the colonial era, now he has lost relevance even though the city still ranks first nationally as a producer of this article. That production has given way today to the manufacture of footwear (especially tennis and sports) and is the dominant production. In addition, for several years the business has also gained importance, mainly retail.

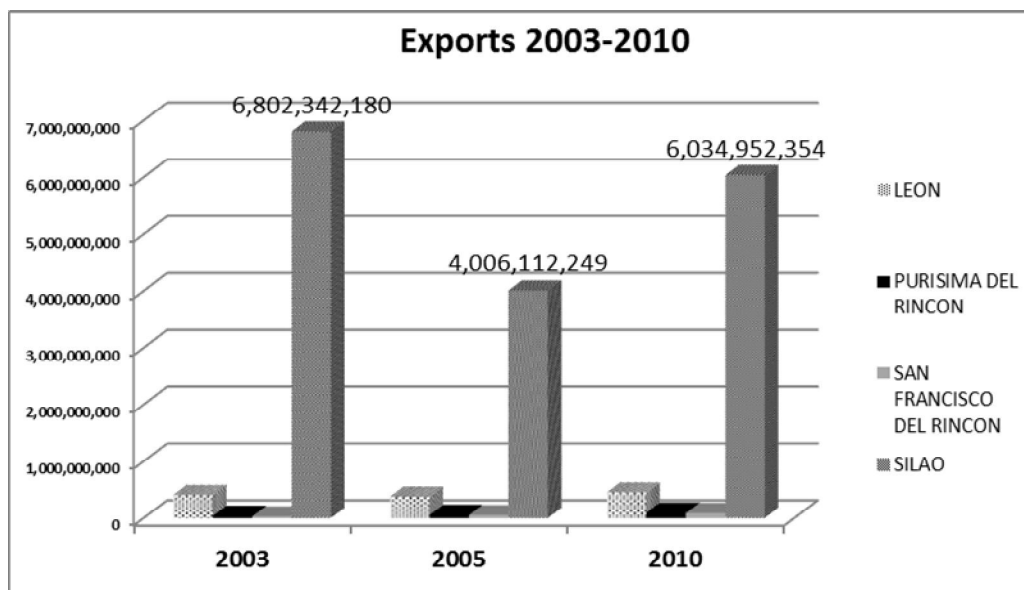
The GDP of San Francisco del Rincon for 2009 was 364.9 million dollars, representing 1.2% of the state GDP. Regarding the sectors contribution to GDP, we find that the services sector was the same year as the most important, with a contribution of 33.7%, followed by manufacturing with 32.1% and trade with 20.2%, which also it indicates that the trend in this town is to the service economy (Ministry of Sustainable Economic Development, 2010). For its part, the Gross Domestic Product per capita in San Francisco del Rincon, for 2009, 3000 was \$ 433 (ibid). As for exports made San Francisco del Rincon in the January-June period of 2010 include those from the food industry with 32.12 million dollars, followed by exports of headgear and parts industry, with a much smaller amount, only 4.11 million dollars, after the footwear sector which recorded 2.19 billion dollars (ibid) are located.

It notes that from 2009 to 2010 there was a small decline in exports of agri-food sector registered a decrease of -4.55%. Similarly it happened in the headgear and parts industry, which showed a decline of -5.35%, while footwear increased by 34.50% during the same period (ibid). In the municipality of Purisima del Rincon economy it has also introduced important changes. While agricultural activity in this territory continues to be very important, the industry has introduced some development, especially the leather-footwear and textiles. This was mainly due to the decentralization of the leather industry and footwear city of Leon to other municipalities. In fact, in Purisima del Rincon making tennis has taken a great weight in the productive activity of the municipality. In addition, the paper industry and paper products have also become important.

As we have seen, the municipalities that are part of the MAL have a different economic dynamic between them, in terms of its production and its economic importance in their own area; likewise differ in dollar amounts for their exports. Since 2003 we found that the municipality of Silao stands out for its exports, which come mainly from the automotive and auto parts, and for 2010 recorded exports in this sector, in the amount of \$5,969 million USA dollars from the automotive cluster based in its territory.

While the municipalities of San Francisco and Purisima del Rincon recorded very low amounts in the area of exports while the municipality of Leon has very little variation in this period.

**Figure 2: Exports from 2003 to 2010 in the MAL (Dollars)**



**Source:** Based on data from COFOCE and the General Administration of Customs

The main export sector in 2010 in the case of Leon is footwear, with a sum amounting to 182 million dollars, followed by fur and leather 119 million dollars. The fur and leather industry ranks first in exports in the same year in Purisima del Rincon, amounting to 39 million dollars, followed by the 37 million dollars footwear sector. The agri-food export sector is the most significant in that same year in San Francisco del Rincon to 62 million dollars, followed by the sector and headgear and parts 7 million dollars (COFOCE, 2010).

With respect to competitiveness, we can say that the process of globalization has led to the territories charged great importance, being considered essential for the accumulation of capital, as these areas contain natural resources, population, infrastructure, productive activities, knowledge and skills Work that can allow access to comparative advantage, and therefore, greater profitability obtained by companies. This has led to more intense competition between different locations, to attract capital and technology, and to achieve competitive advantages that allow them to introduce their products in the global market.

According to Porter (1990), comparative advantages are those that determine the low production cost of a product and promote investments. Comparative advantage can be natural (agro-climatic conditions, geographic location and production of counter-season), and/or acquired (having cheap labor, abundant and disciplined work, as well as appropriate economic and fiscal policies). Following Porter, competitive advantages are those generated by business strategies to achieve market positioning successfully and generate a return on investment through new processes and technologies that are incorporated into the production processes. Currently, the intense competition inter- and intra company has taken a leading role in achieving efficiency and competence in the conduct of enterprises, whether national or transnational. Competitiveness becomes the dynamic engine operating strategies and expansion; strategies that seek profitability and the highest possible profits through the identification of comparative and competitive advantages in the territories.

The territories have particular comparative and competitive advantages that enable you to join, or failing that, be excluded from the networks of the global system. Hence, now the territories compete for the same financial and technological resources, seek to be competitive inserted to achieve a good position in the world economic system. The MAL is no stranger to this phenomenon, which is focused on increasing productivity and the competitiveness of companies located in their territory. However, currently, in the search for competitiveness, the natural advantages tend to be less important, while the benefits obtained from the use of new technologies and the activities carried out by companies, in terms of mobility and conquest of markets. They are becoming increasingly important. Hence for the territories is now very important to encourage the development of their innovation capacity, utilization of scientific and technological knowledge, and therefore, to conduct research and development.

The scientific and technological development has become a key factor of competitiveness in the economic system, as the use of new technologies can increase production, productivity, quality of products, among many other things. In addition, possible link to various sectors, and plays a key role in the restructuring of production in the transnationalization of production processes, and therefore the changes in the territorial pattern of economic development. The MAL has little technology and education levels are low. The city of Leon, although concentrated economic activity in the area, and although it has several universities and institutions of higher education, they are not fully linked to the productive sectors, in fact, its economy is still based knowledge and innovation, but more than anything in the transfer and adoption of technologies, in many cases not even tip.

This situation has promoted competition with other regions and even within the MAL itself, because transnational corporations have chosen mainly the municipality of Silao generating productive capital transfers their concentration and production specialization because this territory has favorable conditions for accumulation capital, as mentioned.

### 3. Conclusions

The change in economic policy by the Mexican government and in this case the state government, has led to greater coordination with the international circuits of capital, which has favored the economic restructuring process in the municipalities that make up the MAL, however, this process has not been the same throughout the area, but Silao is inserted more strongly with the global economy, while other municipalities make greater efforts to attract foreign investment mainly to their territories.

The relocation of productive capital in the automotive industry, mainly in Silao, has led to urban growth in this town, as well as an intensification of freight flows of people. All this calls into question the relations of economic inequality between the central city and the periphery as Silao is becoming a magnet for foreign investment. Moreover, the economic dynamics generated throughout the MAL, especially the economy of agglomeration in Silao, has not benefiting the local population in terms of well-paid medical, educational services jobs.

MAL formation has involved urban concentration and growth of cities with the subsequent decline in agricultural activity. In the case of the municipality of Leon, economic restructuring has meant that manufacturing lost relevance because it is based mainly on local investment, alongside the service sector has increased its contribution to GDP.

It notes that the municipalities of San Francisco and Purisima del Rincon who had been predominantly agricultural, are now transiting to a service sector based economy, with very little investment in manufacturing. The abovebecause these municipalities do not have the conditions that favor the accumulation of capital. Undoubtedly, the reconfiguration of the MAL has meant the emergence of new imbalances between the municipalities that are part of the metropolis, because although Leon still has primacy over other municipalities, has been losing weight because it is Silao which offers better favorable conditions for obtaining competitive advantages for transnational corporations, while San Francisco del Rincon and Rincon Purisima are not inserted favorably in the global economy.

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