SALTILLO, Mexico — Jason Sauey calls them lemmings — all the American companies that rushed to China to make things like toys and toilet brushes, only to be searching now for alternatives in Mexico and the United States. His own family-owned plastics company, Flambeau, nearly made the same mistake around 2004, he said, when competitors contracting with China undercut prices and seized market share.

Flambeau resisted, turning instead to its factory here in central Mexico. And now the company — which makes Duncan yo-yos, hunting decoys, plastic cases and an array of industrial items — is reaping the rewards, Mr. Sauey (pronounced SOW-ee) said.

Revenues at its Mexican plant have grown by 80 percent since 2010, according to company records, prompting a search for a second location near Mexico City. And in the past year, a dozen corporations have come to Flambeau and requested bids on projects worth tens of millions of dollars for things like smartphone cases and car parts.

“They’re all looking for a new model,” said Mr. Sauey at his offices in Middlefield, Ohio. “It’s not just about cost; it’s about speed of response and quality.”

With labor costs rising rapidly in China, American manufacturers of all sizes are looking south to Mexico with what economists describe as an eagerness not seen since the early years of the North American Free Trade Agreement in the 1990s. From border cities like Tijuana to the central plains where new factories are filling farmland, Mexican workers are increasingly in demand.
American trade with Mexico has grown by nearly 30 percent since 2010, to $507 billion annually, and foreign direct investment in Mexico last year hit a record $35 billion. Over the past few years, manufactured goods from Mexico have claimed a larger share of the American import market, reaching a high of about 14 percent, according to the International Monetary Fund, while China’s share has declined.

“When you have the wages in China doubling every few years, it changes the whole calculus,” said Christopher Wilson, an economics scholar at the Mexico Institute of the Woodrow Wilson International Center for Scholars in Washington. “Mexico has become the most competitive place to manufacture goods for the North American market, for sure, and it’s also become the most cost-competitive place to manufacture some goods for all over the world.”

Many American companies are expanding in Mexico — including well-known brands like Caterpillar, Chrysler, Stanley Black & Decker and Callaway Golf — adding billions of dollars in investment and helping to drive the economic integration that President Obama and President Enrique Peña Nieto have both described as vital to growth.

As that happens, some companies are cutting back in China and heading to Mexico to manufacture an array of products, like headsets (Plantronics); hula hoops (Hoopnotica); toilet brushes (Casabella); grills and outdoor furniture (Meco Corporation); medical supplies (DJO Global); and industrial cabinets (Viasystems Group).

And while in some cases a move to Mexico is tied to job cuts in the United States, economists say that the American economy benefits more from outsourcing manufacturing to Mexico than to China because neighbors tend to share more of the production. Roughly 40 percent of the parts found in Mexican imports originally came from the United States, compared with only 4 percent for Chinese imports, according to the National Bureau of Economic Research, a private research group.

Such comparisons appear to have blunted some of the scorn that greeted American companies moving production to Mexico in the 1990s. And yet, for the economic relationship to reach its full potential, experts, officials and executives say, the United States needs to make trade efficiency as important as border security. Long waits at the border continue to frustrate many companies. At the
same time, Mexico needs to overcome longstanding problems like education, organized crime and corruption.

However, for every successful Flambeau, there seems to be a KidCo, another Midwestern manufacturer, which gave up trying to move production from China to Mexico last year.

“It’s a lot more convenient to fly to Mexico than to China,” said Ken Kaiser, the company’s owner. “But we just couldn’t find a way to get an advantage by moving. It took forever just to get a price quote.”

Dozens of interviews with executives, economists and American and Mexican officials over the past year show that what many companies are discovering is that there is not one Mexico, but many. Despite many signs of promise, Mexico is still a country of vast differences in efficiency and education, where only a small minority of the population has the training needed to compete with the world. Especially for the crowded middle of American manufacturing — the family-owned, medium-size businesses like KidCo and Flambeau — Mexico disappoints as often as it satisfies.

Ed Juline, a manufacturing consultant in Guadalajara who came to Mexico in 2001 with IBM, has seen many companies both attracted and repelled. Like others who help American businesses in Mexico, he described last year as a tipping point. With studies showing Mexico rapidly reaching the same cost level as China for the production of certain products, dozens of companies came to him — including KidCo — looking for help to find a Mexican factory to contract with or buy.

Business owners were in a rush. Some had tired of the travel to China or the six- to 10-week wait for orders to arrive from across the Pacific. Others said their Chinese suppliers were raising prices even as quality declined.

At KidCo’s headquarters outside Chicago, the headaches were mounting. Last year began with a factory in northern China that produced the company’s best-selling products, a series of child-safety gates, demanding a 10 to 12 percent pay increase. Then an entire shipment of wooden gates arrived with a major flaw. “That’s when we realized we really needed to have backup supply,” said Mr. Kaiser, 61, who contacted Mr. Juline.

Mr. Juline did have some success to point to. One of his clients, Casabella, a broom, brush and mop company from Long Island, had recently completed a deal with a factory near Mexico City to produce about $800,000 worth of brushes.
But success turned out to be a rarity. The more Mr. Juline traveled around Mexico seeking partners for American manufacturers, he said, the more he realized that many Mexican business owners were unwilling to take on a surge of new business, either because they could not line up suppliers or credit, or because they feared demands for money from government inspectors or gangs.

Guillermo Calderon, the factory manager for Diseño Global, said his response to KidCo’s bid request may have seemed high — about 20 percent above the production price in China — but that was because he wanted to make sure his company took on as little risk as possible. “It’s easier to look at the opportunities you already have instead of looking outside,” he said. “What if we get a 40,000-piece order and then they leave?”

Flambeau’s experience has been more positive. Since Mr. Sauey joined the business in 1985 at the urging of his father, a co-founder, sales have grown to $230 million, up from $65 million. And as tours of its plants in Saltillo and in rural Ohio revealed, the company has largely thrived through a calculated mix of investment in Mexico and in the United States.

Mr. Sauey, 52, compact and serious, a passionate libertarian with an M.B.A. from the University of Chicago, insisted that cross-border production keeps American companies alive. At the plant in Middlefield, a small town near Cleveland where Mennonites steer horses clear of pickup trucks, and where most factories have already closed, he pointed to a hulking contraption with robotic arms sprouting from the back. “This is what helps keep us here,” he said. The machine cost $2 million. It turns the raw materials of hard plastic into one of Flambeau’s best-selling products, cases for art supplies.

A generation ago, Mr. Sauey said, the factory in Middlefield did about $14 million in sales. Now, because of investments in more sophisticated technology, it does twice that with the same number of employees, about 180.

The factory in Mexico has more space, many more employees — about 480, making about $17.70 a day — and more machines, many bought used. Both factories will generate roughly the same amount of revenue, according to company estimates. But while the Middlefield plant focuses on high-end plastic cases for everything from guns to medical supplies, the Saltillo factory makes simpler products — bottles for windshield washer fluid, yo-yos, hunting decoys.
Flambeau is not immune to the problems that kept KidCo in China. “In Mexico, almost right is good enough; second best is fine,” said Edward Treanor, Flambeau’s factory manager in Saltillo.

Worker turnover, maintenance troubles and inconsistent quality have been a drag on the bottom line for years. But because Mexico is closer than China, Mr. Treanor added, Flambeau could do more about it: a few months ago, the company sent a trusted American employee to oversee maintenance full time and improve factory operations.

Experts say that these are the kinds of companies succeeding now in Mexico, those big enough to manage their own factories and those that did not give up their technical knowledge by outsourcing to China.

“There are a lot of examples of clients who were in Mexico, went to China and now want to come back, and most of them have given up their expertise in manufacturing,” said Scott Stanley, a senior vice president at North American Production Sharing, one of the largest firms to help American companies set up production facilities in Mexico.

To draw more companies now, executives, officials and experts say, Mexico and the United States will need to become better neighbors, more focused on sharing labor and moving products.

Mr. Wilson at the Mexico Institute called specifically for a focus on “globally literate workforces in both countries.”

“At a very basic level, that means teaching more Spanish in the U.S. and more English in Mexico,” he said. Other, more immediate changes are also necessary, he added, including shorter wait times at the border, better roads and productivity gains in Mexico — lowering the cost of electricity, for example. After all, as the rise of China showed once before, there is no guarantee that Mexican and American manufacturing will stay attractive for long.

As Mr. Sauey notes, today’s global economy has increasingly come to resemble the volatile market for yo-yos or any other fad: the ups and downs come and go faster than ever. “It’s like shooting to the moon when the spikes happen,” he said. “And it’s like falling off a cliff when it ends.”