THE MEXICAN TEXTILE SECTOR

The Mexican textile sector accounts for more than two percent of the GDP, and almost 10 percent of manufacturing output. Although this represents a decline from 2.5 percent of the GDP since 1990, the textile sector is still larger than the automobile industry. The Mexican textile industry is composed of some 2,000 companies of which 95 percent are family-owned. The rest are owned primarily by large chemical and textile multinationals.

The textile sector employs about 170,000 people, and is located mainly in Mexico City and Puebla. This industry developed in a strongly protectionist environment during the past 40 years. There was little investment during the "lost decade" of the '80s and the industry was poorly equipped to face the liberalized trade environment that began in 1988. In spite of the new pressure to modernize, investment continues to be sluggish. This is mainly due to the high cost of capital along with a slump in sales that has constrained cash flow.

The sector takes advantage of Mexico's ample supplies of raw materials, including natural ones such as wool, linen and sisal, as well as artificial fibres such as rayon which is derived from wood products. Production of synthetic fibres, especially polyester and acrylic, benefit from Mexico's petrochemical industry, which ranks as the 15th largest in the world.

The Mexican textile sector also benefits from relatively low wages and proximity to U.S. markets. However, these advantages are offset by a fragmented industrial structure and lack of economies of scale. For example, *Celulosa y Derivados (CYDSA),* the largest integrated textile producer in Mexico, accounts for only about one percent of the sector's value-added. The industry is dominated by family-owned groups of companies, and there is little vertical integration. The industry also suffers from a lack of clean water and high electricity costs.

According to the *Cámara Nacional de la Industria Textil (CANAINTEX),* National Chamber of the Textile Industry, the textile industry GDP fell 3.7 percent in 1992 and 7.4 percent in 1993, partly because of Asian competition. Some companies have been particularly hard hit.

The textile industry, whose members include a large number of small- and medium-sized businesses, is also facing serious problems with overdue debts. According to Hugo González, president of the *Cámara Textil de Puebla y Tlaxcala (CTPT),* Chamber of the Textile Industry of Puebla and Tlaxcala, more than 40 of the 420 textile and clothing-related businesses in the two-state area are in danger of closing because of overdue debt. González also blamed the plight of the textile companies in the two states on increased imports, both legal and illegal, from Asian countries, especially China.