

operating in these areas, but they remain few in number. That, however, is changing.

#### **2.4.4 Zacatecas**

Apparel manufacturers that are willing to move to this area are being offered specially designed shelter co-operative factories.

#### **2.4.5 Veracruz**

The area next to the state of Puebla is starting to develop small shops that can provide labour to the textile mills.

The states of Nayarit, Oaxaca and Chiapas traditionally produce textile handicrafts but there is also an embryonic apparel industry. Because of the cultural heritage of the people, these states could easily become producers of trims for the apparel sector.

### **3. TEXTILE INDUSTRY**

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#### **3.1 Cotton**

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Mexico has long been an important grower and exporter of cotton, and the quality of its cotton is recognized around the world.

Despite the excellent soil, regulations and distribution, the lack of technology and capital and the presence of U.S. subsidies discouraged the growers.

The new regulations for agriculture and foreign investment, and government support are encouraging agricultural development, and wide opportunities are opening.

The cotton fabric that can be produced in Mexico is as good as the Egyptian and Peruvian fabrics. In addition, a locally produced cotton would logistically be more convenient for the Mexican apparel industry.

#### **3.2 Synthetic Fibres**

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There is a very big market for polyester filament and rayon yarns, especially for the high twists. The gigantic Mexican textile companies are, in some cases, exporting fabric. Unfortunately, some of their yarn has to be imported. This puts them in conflict with the NAFTA rules of origin. This situation presents opportunities for Canadian high-twist yarn producers. They could open a subsidiary in Mexico or

enter into a joint venture with a Mexican textile mills.

Several Mexican companies produce synthetic fibres but they have not invested in technology. The quality and the price of some fibres, therefore, is not competitive. Despite the open economy, very few yarn producers are importing fibre because it is not convenient. A strategic alliance with a fibre company or a simple transfer of technology could be an appropriate option and offer opportunities for interested Canadians.

The microdenier technology has not really arrived in Mexico. Most fashion fabrics, especially those using high twist yarn or microdenier, are imported from Japan and Korea. The most important importers are the converters and distributors.

Microdenier fabrics, unless they are made in North America, will not conform to the NAFTA rules of origin. They represent an important area of investment.

#### **3.3 Fabric Finishing and Dyeing**

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Mexico also lacks companies that finish and dye fabrics. This is probably one of the weakest links in the manufacturing chain. Many textile mills export grey goods and import the finished fabric back to Mexico.

This is definitely an area of opportunity for Canadian companies. A strategic alliance with an apparel firm or subcontractor could offer the best comparative advantage for export.