The Struggle to Modernize

Mexican Textile Groups

- ☐ Grupo Saba
- ☐ Grupo Kalach
- ☐ Grupo González Nova
- ☐ Grupo Romano
- ☐ Grupo Mondlak
- ☐ Grupo Saga
- ☐ Grupo Nizri
- ☐ Grupo Abrumrad
- ☐ Grupo Chedraui
- ☐ Grupo Miguel

These are mainly family-owned groups of companies that dominate the Mexican textile industry.

Source: Interviews with officials from the *Cámara Nacional de la Industria Textil (CANAINTEX)*, National Chamber of the Textile Industry.

In spite of lagging investment coupled with the textile industry's decline in 1992 and 1993, there are some signs of growing sophistication as the surviving companies struggle to modernize.

According to the U.S. Department of Commerce, 1991 shipments of spindles outnumbered rotors 7 to 1, a substantial shift from the installed ratio of 80 to 1.

In 1990, Mexico's installed cotton weaving capacity consisted of 35,000 shuttle looms and 11,500 shuttleless looms. The 1991 shipments of shuttleless looms reached six percent of installed capacity while shipments of shuttle looms were only one percent of installed capacity.

The *Secretaría de Comercio y Fomento Industrial (SECOFI),* Secretariat of Commerce and Industrial Development, is working to help the industry modernize. Large Mexican companies are consolidating expertise. Quality is improving but continues to lag behind world-class levels. Increasingly, Mexican textile companies are forming joint ventures with U.S. companies. For example, *Celulosa y Derivados (CYDSA),* is in partnership with Crown Crafts and Jantzen, and *Parras* is associated with Cone Mills. The trend is toward joint ventures with U.S. firms.

An executive from the *Cámara Nacional de la Industria Textil (CANAINTEX)*, National Chamber of the Textile Industry, interviewed for this study says that most of the top Mexican textile producers are in the process of developing alliances based on vertical integration. In his view, this works against partnerships with Canadian companies, because the driving force behind these joint ventures is access to markets rather than technology transfer. He believes that most Mexican fabric producers could modernize simply by updating to more recent-model equipment.

In 1992, *SECOFI* and industry representatives developed the Program to Promote Competitiveness and Internationalization of the Textile and Apparel Industry. The program has three main components.

The first component is overseas trade, which is focused on measures to stop under-invoicing, outright smuggling and mis-classification of imports, as well as assistance to Mexican firms to promote exports.

The second component is technology and industrial organization. Although this involves a collection of government policies and industry self-help measures, they are not supported by resource commitments from either party.

The final component, financing, involves greater use of existing government programs administered by *Nacional Financiera (NAFIN)*, Mexico's development bank, and *Banco Nacional de Comercio Exterior (Bancomext),* the Mexican Trade Commission. In 1993, *SECOFI* increased the funds available for loans to the textile sector.