

## 1. OVERVIEW

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The Mexican apparel and textile industry, like most Mexican industries, operated in a closed economy until 1987. It was not, therefore, required to compete in the international arena.

Once the Mexican marketplace was opened up, imports started taking over the domestic market. The apparel industry was pushed into exports in order to survive in the long term.

Factories that manufacture apparel for export have traditionally been located in the *maquiladora* where there are 807 operations. Materials are brought in bond into Mexico and assembled. The *maquila* operations are fully integrating cutting facilities and are becoming sophisticated full-package manufacturers.

U.S. apparel manufacturers are expressing increased interest in Mexico. The companies are manufacturing their goods through subsidiaries and selling their products there. The U.S. companies are also aggressively pursuing joint ventures and strategic alliances.

The apparel industry has a very important role in the Mexican economy because it generates the most jobs. Mexicans are qualified workers and their wages are not as high as elsewhere in North America. The government is encouraging the industry to modernize and is providing a lot of support, especially in the area of training.

The industry must become competitive. Only in this way can it survive in the domestic market and take full advantage of international opportunities. Towards this end, a whole new group of companies is in the process of integrating and consolidating in order to achieve more purchasing and selling power.

Although the apparel industry is in an excellent position to export, some of the raw materials are still very high priced or are not available in Mexico. Manufacturers are forced to source internationally. Imports of raw materials are not limited by quotas. Indeed, it is recognized that a steady supply of competitive raw materials and training is a guarantee of the industry's survival and growth.

Exports of apparel made of North American materials to the United States and Canada will be duty free under the North American Free Trade Agreement (NAFTA). Agreements are also being

signed with South American countries to open those markets to Mexican products. Apparel with 35 per cent Mexican content already enters duty free into the European Community.

The textile industry is in the process of modernizing its facilities. During 1992, there were more machinery and equipment imports than in the previous 40 years. The companies are vertically integrating in order to leverage their comparative labour advantage. They have become very successful exporters of garments because they can give better price to their own manufacturing operations.

In the same way, fibre manufacturers are integrating vertically, either by opening their own shops and mills, or by making strategic alliances with their best customers.

The domestic market is growing due to the increasing purchasing power of the middle class. Despite the current recession, most chain stores are reporting a 12 percent sales increase over 1992.

## 2. APPAREL INDUSTRY

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The following are the most important centres of apparel manufacturing in Mexico. There are several other states that are developing apparel industries. Some have been subcontracting for the domestic manufacturers but could become apparel-manufacturing centres. The state governments are supporting the establishment of industries.

### 2.1 The North

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#### 2.1.1 Maquiladora

There are 807 operations in this area, most of which belong to U.S. companies. Very large jeans-manufacturing firms are located around Torreón and Gomez Palacios and there are several big plants for intimate apparel in Tijuana. The latter are not currently selling to the domestic market.

Some of these companies are in the process of integrating cutting and sourcing.

#### 2.1.2 Nuevo León

Nuevo León is highly industrialized and most of the companies are owned by Mexicans.