

TEXTILE SECTOR: QUESTION #2

Where will competition for the Canadian manufacturers come from under a NAFTA?

Background:**United States-**

The Maquiladora programs present a significant challenge for Canadian producer as many US firms have established operations under this program to exploit the benefits offered the US outward processing duty relief regime. This has lead to US apparel firms to develop cost advantage strategies involving the integration of domestic and Mexican production. This phenomenon has encouraged a high level investment in the Mexican sector by American firms. As a result of the extensive integration, the US firm prices are extremely competitive.

The globalization of the textile and apparel industries in recent years with the division of production among countries has resulted in a new decentralized production system. The result for Canadian companies without clearly defined niche markets will be diversification and redistribution of production overseas.

RESPONSE:

- THE US INTEGRATION SCHEMES HAVE RESULTED IN SIGNIFICANT GAINS IN CERTAIN LOW COST APPAREL AREAS THAT SUITABLY FIT THE MAQUILADORA PROGRAMS. THE CANADIAN CHALLENGE IS TO EXPLOIT THOSE AREAS NOT SUITED TO MAQUILADORA, THAT IS, LOW LABOUR/HIGH CAPITAL, HIGH SKILLED JOBS IN CANADA.