Government Industrial Policies

The Mexican government launched a major program for improving the competitiveness of the textile and apparel industries in 1992. Known as the *Programa para Promover la Competitividad de la Industria Textil y de la Confección,* Program for the Promotion of Competitiveness in the Apparel and Textile Industry, it has four major components.

- External trade includes standards, tariffs, unfair trade practices, customs operations and export promotion. Its goals are to stop under-invoicing, smuggling and mis-classification of imports as well as to assist Mexican exporters to trade internationally.
- Technology includes training and human resource development.
- Industry structural initiatives includes such goals as sectoral coordination, Quick Response (QR), fashion and design, and alliances with foreign companies.
- Financing includes the development of financial mechanisms to assist the industry. *Nacional Financiera (NAFIN),* Mexico's national development bank and *Banco Nacional de Comercio Exterior (Bancomext),* Mexico's trade commissions, have been encouraged to increase funds for loans in this sector.

So far, the major priorities have been implementing standards and improving customs operations. Under-billing and dumping practices have been pursued vigorously. In the other areas, progress has been limited mainly to the formation of committees to set priorities and design programs.

Maquiladora Operations

Maquiladora or in-bond operations have contributed substantially to the development of the apparel sector in Mexico. Under the *maquila* program, goods are allowed into Mexico duty-free, where they are processed and then re-exported. They are not usually considered part of the Mexican market, since they are mainly captive plants, and until recently their products have been sold in Mexico in only very limited quantities. Under the North American Free Trade Agreement (NAFTA), this is changing.

By the end of 1991, there were 308 *maquiladora* textiles plants, with about half of them located in the interior of the country. This includes the Federal District, and the states of Jalisco, México, Yucatán and Puebla.

Before the NAFTA, most *maquiladora* plants exported their goods to the United States under the "807" program, (now called the 9802). It was introduced in 1989 and applies duty only to the foreign value-added of goods re-imported into the U.S.

In 1991, the total value of textiles and apparel products shipped from "807" plants was US $658 million, of which US $250 million was domestic value-added. The "807" plants have been a source of significant employment, especially for Mexican women. It is estimated that about 50,000 workers are employed in the textiles and apparel *maquiladora* operations.

Under the NAFTA, Mexico will have to open up its markets to *maquiladora* goods over a period of seven years. Beginning in 1994, half of a plant's output may be sold in Mexico under the NAFTA terms, and full access will be granted by January 1, 2001.

The *maquiladora* plants also benefit from a number of other NAFTA provisions. In particular, products may be sold in Mexico quota-free, even though they may contain American fabrics made from non-originating yarns. The paperwork needed to sell *maquiladora* products in Mexico has also been substantially reduced.