

The footwear industry was a source of economic growth for Mexico before the devaluation of the peso in December 1994. Jalisco was already the nation's second-largest footwear manufacturing centre, mainly serving the domestic market.

The devaluation cut deeply into domestic sales, because new footwear is a postponable expense. The industry responded by switching emphasis to export markets, including the United States and Canada as well as Central and South America. Footwear exports to Canada, for example, increased by about 15 percent to reach almost C \$7 million in 1995. At the same time, countervailing duties on footwear from Asia helped to prop up the domestic market, at least temporarily. Exports from Jalisco doubled to US \$10 million in the year after the devaluation. Only five of Jalisco's 325 shoe producers were exporting in 1990, but this jumped to about 40 companies after the devaluation.

Modernization, timely delivery and rapid adaptation to market trends are the keys to success in the footwear industry, especially in women's shoes. The producers in the Guadalajara region have difficulty meeting these demands. In general, there is a lack of integration between market information, design and manufacturing. These companies also lack the modern technology needed for flexible manufacturing and just-in-time (JIT) delivery. Another constraint is a shortage of competitively-priced synthetic materials for soles and heels, which is a major trend in footwear.

There is a niche market for cowboy boots, which is an area where major competing nations are not as specialized. In this market, availability of skilled labour is more important than responsiveness to style changes. But to compete in an increasingly open world market, the footwear producers of the Guadalajara region will have to modernize. Canadian companies could participate in this process through technological joint ventures.

Raw materials in demand include genuine leather, artificial leather and accessories. The US dominates the genuine leather market with a 40 percent market share. Canada's leather exports to Mexico in 1995 were almost nil. Almost one-third of artificial leather comes from Asia and Europe, while Italy and Spain are the largest foreign suppliers of accessories. Most textiles used in footwear production are made in Mexico.