

MANUFACTURING TECHNOLOGIES AND EQUIPMENT

The economic reforms beginning in the late 1980s exposed Mexican manufacturers to an influx of competition after decades of protectionism. The reforms also opened new export markets. But many Mexican companies were not in a position to take advantage of these opportunities because they lacked the technology to meet international standards of quality and consistency. These companies quickly learned that advanced technology makes cheap labour, on which many of them are based, less of an advantage than it might have been in the past. In response, many Mexican companies began to rationalize and modernize. Many small family enterprises were absorbed by the larger *grupos* or became associated with multinational enterprises. Imports of capital equipment increased rapidly, but many Mexican firms were still able to survive on local markets alone.

The situation changed with the devaluation of the peso in December 1994. During 1995, non-petroleum exports surged by 33 percent. Total imports fell by 8.7 percent, while imports of capital goods were cut almost in half. The gross domestic product (GDP) fell by almost 7 percent during the year, and this has undermined most domestic markets.

The current economic situation leaves manufacturers with little choice but to export if they expect to survive and prosper. But many Mexican manufacturers cannot take advantage of the export opportunities because their products cannot meet international quality standards. This adds quality and consistency to productivity as motivations for modernization. Moreover, as the domestic economy recovers, foreign competitors are becoming more active in Mexico's retail markets. The recent competition from foreign companies is creating new demands for improved quality as well as more attractive and more convenient packaging.

FOOTWEAR

There were 1,386 footwear companies in the state of Jalisco in 1993, providing about 10 percent of the state's employment. According to estimates by the US Department of Commerce, footwear manufacturers in Jalisco produced one-quarter of the nation's annual output of 160 million pairs. Six companies are classified as large, 22 medium and more than half are micro-enterprises. Almost 80 percent of these companies manufacture women's shoes. There is intense competition in this sector, from Brazil in the medium- to high-price ranges, and from Asia in the lower-price categories. The local industry is concentrated mainly on the domestic market.