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## **Report Shows Mexican Textile Industry has Thrived Under NAFTA**

*by LADB Staff*

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According to a US textile industry report, Mexico's share of the US textile and clothing market has increased significantly in recent years, partially displacing sales from four countries in the Pacific Rim. The report, published by the American Textile Manufacturers Institute (ATMI), said Mexican and Canadian exports of textiles and clothing to the US doubled between 1994 and 1996, in large measure the result of implementation of the North American Free Trade Agreement (NAFTA). During the same period, textile exports to the US from four major Asian suppliers China, Hong Kong, Taiwan, and South Korea declined by 13%.

Similarly, the ATMI report said, Mexico supplied about 9.6% of all US clothing imports as of year-end 1996, compared with a 4.4% share before NAFTA went into effect. China, Hong Kong, Taiwan, and South Korea now account for only 30% of US clothing imports, compared with a 38% share before NAFTA went into effect.

According to some Mexican textile-industry estimates, total trade in textiles and clothing within the NAFTA region has increased by 30% since the agreement was enacted in 1994. In addition, the number of Mexican companies involved in the export of textiles and clothing has increased from fewer than 1,500 in 1993 to about 2,500 by year-end 1996.

### ***Industry groups seek to diversify beyond US market***

Still, some industry executives are concerned that NAFTA has also pushed Mexico into an over reliance on the US, which is the world's largest consumer of textile products. "In 1996, we exported about US\$500 million worth of clothing," said Francisco Garza Egloff, director Nylon de Mexico. "On the other hand, 87% of the Mexican textile industry's total trade has been with the US." Garza Egloff said the Mexican textile industry must develop strategies to diversify its exports while consolidating its market share in the US.

According to the US daily business newspaper The Journal of Commerce, the Mexican textile industry is considering a plan to consolidate operations in "textile cities," to reduce costs and boost efficiency. However, Jacobo Zeidenweber of the Mexican apparel company American Textil said the industry has so far been unable to create these special manufacturing regions.

While the Mexican textile industry has benefitted from NAFTA, some Mexican manufacturers have expressed concern about US proposals to extend NAFTA-like parity to Caribbean countries, which could increase textile and clothing exports from that region to the US at the expense of Mexico (see NotiCen, 05/15/97 and 05/22/97). "This is an important issue for the textile industry because the US has always treated the Caribbean and Central American countries more liberally than it has treated Mexico," said Zeidenweber, who is also a member of the Mexican negotiating team for NAFTA

textile issues. "We are not against the Caribbean countries entering into a free-trade agreement with North America as Mexico is signing bilateral agreements throughout the Americas," Zaidenweber told the Journal of Commerce. "However, if the Caribbean nations receive NAFTA-like benefits, it should be with the same rules and regulations of origin that apply to Mexico."

### *Groups urge government to guard against illegal imports*

Meanwhile, domestic textile manufacturers have expressed concern about the rapid growth in clothing imports. According to the Camara Nacional de la Industria Textil (CANAINTEX), imports of textiles have increased by 41% because of unfair trade practices or dumping. CANAINTEX president Tito Kuri Slim expressed concern about a 42% increase in clothing imports during the first quarter of the year, compared with the same period in 1996. According to CANAINTEX, a high percentage of those imports are manufactured in countries with whom Mexico has no free-trade agreement. Kuri said those countries are shipping their products into Mexico via the US or Latin American countries with whom Mexico has trade accords.

In addition to NAFTA, Mexico has bilateral agreements with Costa Rica, Bolivia, and Chile, plus a trilateral accord with Colombia and Venezuela. To address the problem, CANAINTEX has urged the SHCP to tighten scrutiny on clothing imports and to train customs personnel to identify illegal imports. "We have asked the Secretaria de Comercio y Fomento Industrial (SECOFI) to make use of the safeguards provided under NAFTA-for the textile industry," said Kuri.

On the other hand, some clothing manufacturers have asked SECOFI to eliminate duties on certain types of fabric, which are not readily available in Mexico. According to Raul Garcia Tapia, director of the Camara Nacional de la Industria del Vestido, his organization has asked the government to eliminate safeguards on 10 out of 35 products to lower prices for clothing manufacturers on such inputs as rayon, linen, and silk. Garcia Tapia said SECOFI has agreed to consider this request, but is not expected to issue a final decision until the latter part of 1997. (Sources: El Universal, 06/13/97; El Economista, 03/17/97, 07/10/97; Associated Press-Dow Jones news service, 07/16/97; Excelsior, 07/17/97; The Journal of Commerce, 07/22/97; El Financiero International, 07/28/97)

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