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Mexico's apparel and textile industries are taking radically different stances on Mexico's recent decision to enter into a supply agreement with the US, five Central American countries, and one Caribbean nation. Under the accord, Mexico would supply textiles to the apparel industries in Honduras, Guatemala, Nicaragua, Costa Rica, El Salvador, and the Dominican Republic at very low tariff rates. The textiles would then be manufactured into clothing for shipment to the US.

Mexico's Camara Nacional de la Industria del Vestido (CNIV) has raised the alarm about the arrangement, claiming that it would result in the loss of tens of thousands of jobs in the apparel industry. However, the Camara Nacional de la Industria Textil (CANAINTEX) claims that the accord could boost its exports by US$250 million in a year, creating several thousand new jobs. The Mexican government had to sign individual agreements with the US, the five Central American nations, and the Dominican Republic, in essence creating a link to the Central American Free Trade Agreement (CAFTA).

CAFTA was scheduled go to into effect at the start of 2006 (see NotiCen, 2006-01-05), but implementation was delayed because each country had to ratify the accord (see NotiCen, 2006-03-02 and 2006-04-06 and 2006-09-28). The agreements were completed in recent months and ratified by the Mexican Senate in April.

The accords followed the completion of a customs-cooperation agreement between Mexico and the US, which Economy Secretary Eduardo Sojo and US Trade Representative (USTR) Susan Schwab signed during a meeting in Davos, Switzerland, in January of this year. The two officials said that the agreement would be subject to annual limits on the quantity of apparel that would receive preferential treatment.

The arrangement has left the Mexican clothing industry reeling. In a press conference in early May, CNIV president Simon Feldman warned that the agreement could displace exports of Mexican apparel to the US market, resulting in the loss of as many as 100,000 jobs in the clothing and apparel industry. "Production costs are 30% lower in Central American countries than they are in Mexico," he said.

Feldman said costs are cheaper in Central America because of lower labor costs. For example, he said wages in the clothing industry on average are the equivalent of US$2.45 per hour in Mexico, compared with US$1.48 in Honduras and US$0.92 in Nicaragua.

Clothing manufacturers say they weren't consulted

Feldman criticized the Mexican government for consulting only with textile manufacturers before agreeing to the arrangement with the CAFTA nations. He criticized the Senate for ratifying the

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accord without questioning the impact on clothing manufacturers. "The CNIV was surprised that this accord was ratified so quickly and without consulting all the members of the textile and apparel sector," said Feldman.

Feldman emphasized that the CNIV does not oppose the concept of free trade. "We support expansion of trade because we can compete with any economy as long as conditions are equitable," said the official. "Now we have to face competition from CAFTA, in addition to all our other problems, such as theft, triangulation of merchandise, and unfair competition from China." Sen. Eloy Cantu Segovia, who supported ratification of the agreements, said the issue was studied very carefully. "

All of us are interested in the success of the fiber-textile-apparel chain," said Cantu, who chairs the competition committee (Comision de Competividad) in the upper house. Cantu, a member of the opposition Partido Revolucionario Institucional (PRI), said the committee decided that regional integration was important to face unfair competition from China. "We can only overcome this problem if we adopt a regional focus, working with the advantages offered by Central America."

Textile industry seeks to boost its market

CANAINTEX officials said the arrangement could create an additional 10,000 jobs in the Mexican textile industry. "The clothing and apparel sector is very large in Central America, which sells about US$10 billion in products to the US on an annual basis," said CANAINTEX president Rafael Zaga Kalach. "Until now, those US$10 billion have not had any Mexican content." Zaga said the Mexican textile industry stands to earn about US$250 million from the arrangement in its first year of implementation and perhaps double that amount in the second year. He said the problems confronting Mexico's apparel industry are more a function of loss of competitiveness resulting from illegal imports from China and high costs of production.

The textile union (Sindicato de Trabajadores de la Industria Textil y de la Confeccion) endorsed the agreement, but also called on the government to take stronger steps to curb illegal imports. "If we reduce contraband by 50%, the industry could create an additional 10,000 jobs in a matter of one or two months." Feldman also raised the question of job losses versus job creation in criticizing the accords with the CAFTA nations. "For us, the bottom line is the net result, which is negative for Mexico," said the CNIV president. "The textile industry argues that the agreement will create 10,000 jobs. We counter that the clothing sector is at risk of losing 100,000 jobs."

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