

A COMPETITIVE MARKET AND STRATEGIC HUB FOR PRODUCTION AND DISTRIBUTION TO THE AMERICAS AND THE WORLD

Mexico's textile and clothing industry has undergone profound structural changes over the last ten years, becoming a major source of revenue and employment and an important part of Mexico's export sector.

In 2000, Mexico was ranked as the world's 4th largest exporter of clothing and 17th largest exporter of textiles.

Mexico's textile and clothing industry – a dynamic and growing sector

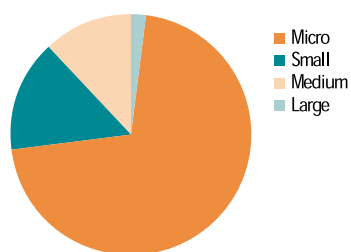
In 2001, the textile and clothing sector in Mexico represented: 7.1% of total manufacturing GDP and 6.4% of total exports.

Over 17,000 companies are now active in the clothing and textile sector in Mexico. The clothing industry accounts for 82% of these companies, while the other 18% concentrate on the production of textiles. Of the 17,000 individual companies, some 5% are recipients of foreign direct investment (FDI).

A key national employer

The textile and clothing sector provided 800,860 jobs in 2001, representing 5.4% of total employment and 20.4% of manufacturing employment. Mexico offers a qualified and competitive workforce and considerable manufacturing and market expertise.

Mexico's textile and apparel exporters, 2001

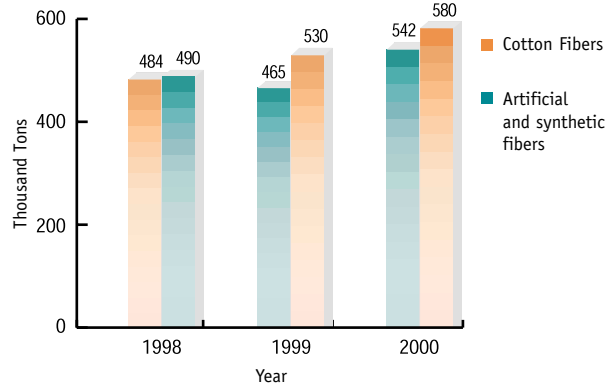


Source: Ministry of the Economy

The textile sector

As a result of the growth in the textile and clothing industry, the consumption of cotton has increased steadily, reaching 580,000 tonnes in 2000. Only 10% of this was produced domestically. Domestic production of artificial and synthetic fibres is relatively high, with overall production in 2000 of over 650,000 tonnes. Mexico presently exports around 22% of its production of synthetic fibres.

Mexico's Textile Consumption



Source: Werner International Inc./ICAC

Mexico – An international trading hub

Mexico's geographic location, on a pivotal point between North and South America, makes it a strategically important export market. Indeed, Mexico is the seventh largest export market in the world and the most important export market in Latin America.

Over and above this, Mexico's extended network of FTAs in the Americas provide preferential access to more than 800 million consumers in 28 countries, accounting for 57% of the world's GDP.

The Mexico-EU FTA

The Mexico-EU Free Trade Agreement (FTA), which came into force in July 2000, establishes the framework for closer economic co-operation between Mexico and the EU, allowing firms on both sides of the Atlantic to reap the benefits of production sharing – creating economies of scale, improving efficiency and enhancing competitiveness.

The tariff elimination schedule fixed under the Agreement is one of the most ambitious ever negotiated by either party.

For the textile and clothing sector this could provide important opportunities. It will place EU companies on an equal footing with NAFTA competitors in the Mexican market and it will provide them with preferential access to the major markets in North and South America through Mexico's extended network of FTAs. In particular, it will improve EU access to the US market, Mexico's most important partner in this sector.

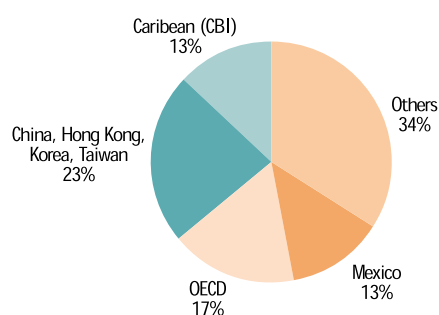
A privileged trading partner for the North American market

Growth in the textile and clothing sector has, in particular, been spurred on by NAFTA – between 1994 (when NAFTA was concluded) and 2001, exports in this sector jumped from US\$2.8 billion to an estimated US\$ 10.2 billion. Mexico's share of total US imports of textiles and clothing increased from 5% to over 12.7% in 2001.

NAFTA is by far the most important export market for Mexico's clothing and textile sector. In 2001, 74% of total textile exports and 96% of clothing exports were to NAFTA (US and Canada). Since 1996, Mexico has been the main US supplier of textiles and clothing goods, ahead of China, Hong Kong and Taiwan. It is estimated that Mexico exports some 280 million pairs of jeans to the US every year.

US Textile and clothing imports share by region

US Total Imports (2001) US\$70,238



Source: US Department of Commerce Office of Textiles and Apparel

A supportive environment for investment

The Mexican Government is keen to support and encourage the continued growth of the textile and clothing sector. It has introduced a sector-specific programme aimed at strengthening the competitiveness of firms and providing a stable and dynamic environment for investment. Specific objectives include ongoing modernisation through the introduction of high-tech solutions and the development of technical skills, the promotion of innovation and encouragement of foreign and domestic investment.

Mexico offers security and legal protection for foreign investors through the EU-Mexico FTA, as well as Bilateral Investment Treaties (BITs) negotiated with 20 countries.

Mexico – A strategic choice

The clothing and textiles industry in Mexico is a dynamic and growing sector which benefits from supportive and proactive Government policies.

Mexico offers an ideal investment location for companies active in the clothing and textile sectors. It has a highly skilled and economically competitive workforce and excellent access to world-class inputs and technologies.

Moreover, its geographical location and extended network of Free Trade Agreements (FTAs) make it a strategic hub from which to export to major markets in North and South America, the EU, EFTA and beyond.

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