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Mexico

Cotton and Products

Annual

2002

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Report Highlights:
Due to poor international prices and insufficient government support, Mexico's area planted to cotton is expected to decrease by 50 percent for MY 2002/03. Production is also projected to fall to 188,000 bales, the lowest level in eight years. With the anticipated decline in domestic demand, imports are forecast to decrease 50,000 bales to 1.75 million bales.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
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SECTION I. SITUATION AND OUTLOOK

Economic Situation and Outlook

The outlook for the overall Mexican economy in CY 2002 continues to be pessimistic as a result of the recession in the United States, which continues to spill over into Mexico. Most private economists agree with the Government of Mexico's (GOM) modest projection of real 1.5 percent GDP growth for 2002, after a 0.3 percent decrease from CY 2001. The growth of the Mexican economy has slowed considerably compared to CY 2000, which had a 6.9 percent growth rate. Private economists estimate that this year's economic performance could have negative impacts on the consumer purchasing power, thereby decreasing domestic demand for almost all major imports. Inflation in CY 2002 may be slightly lower than it was in CY 2001. The inflation rate for CY 2001 was 4.4 percent and forecasters are predicting a 4.2 percent inflation rate for CY 2002. Despite these negative indicators, it is the first time that Mexico is weathering a global economic recession while maintaining macroeconomic stability. Recently, Mexico was even granted investment grade status by Standard and Poors, which allows pension fund companies to invest in Mexico.

Cotton Situation and Outlook

As a result of unattractive international prices, low governmental supports and drier than normal weather, Mexican cotton production is forecast to decline sharply in MY 2002/03. Cotton production for this year is forecast to reach only 188,000 bales, which is the lowest production in eight years. The planted area will decrease sharply, approximately 50 percent, in MY 2002/03. Yields are also expected to decrease, assuming the continuation of dry weather. For MY 2000/01 and 2001/02, the production estimates have been revised upward reflecting industry information and the latest official data from SAGARPA (the Secretariat of Agriculture, Livestock and Rural Development, Fisheries and Foodstuffs).

In spite of lower world prices, domestic demand for cotton has been sluggish and is expected to decline in MY 2002/02, as a result of Mexico's ongoing economic slowdown. For MY 2002/03, some traders expect domestic cotton consumption to decrease 50,000 bales to 1.9 million bales. Mexican textile output decreased sharply in CY 2001, approximately10.1 percent compared to the prior year, which is the worst contraction since the economic crises of 1995. This negative trend has continued as Mexico's total textile output for the first quarter of CY 2002 decreased 13.1 percent, compared to the same period last year.

With decreased demand, imports are expected to decrease 3 percent in MY 2002/03 to 1.750 million bales. However, the U.S. is expected to continue supplying between 95 to 98 percent of the Mexican import market, due to geographic proximity coupled with market promotion efforts and access to credit guarantees. The cotton import estimate for MY 2000/01 has been revised upward in line with updated official information from the Secretariat of Economy (SE). At the same time, Mexican exports of cotton to traditional markets in the Far East are expected to decrease. Mexico's exports are forecast to fall to 81,000 bales in MY 2002/03, a 3 percent decrease from last year.

According to industry sources, Mexican imports for MY 2001/02 up to May 11, 2002, totalled approximately 2.236 million bales, leaving an estimated 907,900 bales of imports still anticipated before the end of July. As usual, practically all of the imports will be sourced from the United States. Mexican cotton export figures of 95,650 bales for MY 2000/01 are 20 percent higher than the original estimate and are based on new SE information. Traditional exporters, however, continue to find exports unattractive, given the low international price of cotton and the strong peso. For MY 2001/02, the export estimate has been revised downward, reflecting the latest information from industry sources.

SECTION II. STATISTICAL TABLES

PSD Table						
Country	**Mexico**					
Commodity	**Cotton**				(HECTARES)(MT)	
	Revised	**2000**	**Preliminary**	**2001**	**Forecast**	**2002**
	Old	New	Old	New	Old	New
Market Year Begin	08/2000		08/2001		08/2002	
Area Planted	0	84453	0	83967	0	41600
Area Harvested	79000	80685	85000	81540	0	40000
Beginning Stocks	105815	105815	110823	130458	146748	168036
Production	79035	85823	95800	94030	0	41026
Imports	406060	422312	391908	391908	0	380900
TOTAL SUPPLY	590910	**613950**	598531	**616396**	146748	**589962**
Exports	17418	20823	21773	18350	0	17800
USE Dom. Consumption	457226	457226	424567	424567	0	414000
Loss Dom. Consumption	5443	5443	5443	5443	0	5443
TOTAL Dom. Consumption	462669	462669	430010	430010	0	419443
Ending Stocks	110823	130458	146748	168036	0	152719
TOTAL DISTRIBUTION	590910	**613950**	598531	**616396**	0	**589962**

PSD Table						HECTARES & 1,000 480 lb BALES
Country:	**Mexico**			Conversion 0.00459291		
Commodity:	**Cotton**					
	Revised 2000		**Preliminary 2001**		**Forecast 2002**	
	Old	New	Old	New	Old	New
Market Year Begin	08/2000		08/2001		08/2002	
Area Planted	0	84453	0	83967	0	41600
Area Harvested	79000	80685	85000	81540	0	40000
Beginning Stocks	486059	486059	509063	599257	0	771870
Production	363045	394226	440055	431925	0	188452
Imports	1865227	1939881	1800220	1800220	0	1749655
TOTAL SUPPLY	2714331	**2820166**	2749338	**2831402**	0	**2709977**
Exports	80009	95650	100014	84290		81764
USE Dom. Consumption	2100257	2100257	1950239	1950239		1901700
Loss Dom. Consumption	25002	25002	25002	25002		25002
TOTAL Dom. Consumption	2125259	2125259	1975241	1975241	0	1926702
Ending Stocks	509063	599257	674083	771871	0	701511
TOTAL DISTRIBUTION	2714331	**2820166**	2749338	**2831402**	0	**2709977**

Trade Matrices

Cotton		UNITS: *METRIC TONS*	
EXPORTS FOR	**MY 1999/2000 [A]**	**MY 2000/2001 [A]**	**MY 2001/2002[B]**
TO:			
UNITED STATES	**11,103**	**4,138**	**1,791**
OTHER			
JAPAN	4,063	3,366	3,841
GUATEMALA	2,628	5,059	494
TOTAL OF OTHER	**6,691**	**8,425**	**4,335**
OTHERS NOT LISTED	21,114	8,712	1,177
GRAND TOTAL	**38,908**	**21,275**	**7,303**

SOURCE: World Trade Atlas, Mexico Edition, December 2001.
[A] MY begin August end July. [B] Data as of December 2001

Cotton		UNITS: *METRIC TONS*	
IMPORTS FOR	**MY 1999/2000 [A]**	**MY 2000/2001 [A]**	**MY 2001/2002 [B]**
TO:			
UNITED STATES	**386,720**	**403,320**	**167,478**
OTHER			
CAMEROON	6,842	3,367	4,361
MALI	8,914	2,174	0
TOTAL OF OTHER	**15,756**	**5,541**	**4,361**
OTHERS NOT LISTED	2,017	742	0
GRAND TOTAL	**404,493**	**409,603**	**171,839**

SOURCE: World Trade Atlas, Mexico Edition, December 2001.
[A] MY begin August end July. [B] Data as of December 2001

Cotton Yarn			***Subheadings* 5205 , 5206 , 5207 UNITS: *Kg***
Exports to:	1999	2000	2001*
UNITED STATES	**26,067,967**	**26,523,926**	**22,412,081**
OTHER			
CANADA	817,022	1,443,769	1,279,914
FRANCE	199,991	308,093	262,383
TOTAL OTHER	**1,280,389**	**1,751,862**	**1,542,297**
OTHER NOT LISTED	369,772	222,864	238,971
GRAND TOTAL	**27,718,128**	**28,498,652**	**24,193,349**

SOURCE: World Trade Atlas, Mexico Edition, December 2001.

Cotton Yarn			***Subheadings* 5205 , 5206 , 5207 UNITS: *Kg***
Imports from:	1999	2000	2001*
UNITED STATES	**33,659,144**	**41,786,353**	**34,635,320**
OTHER			
CANADA	134,544	838,743	1,036,916
SPAIN	341,933	474,505	445,572
TOTAL OTHER	**476,477**	**1,313,248**	**1,482,488**
OTHER NOT LISTED	614,573	719,575	1,198,469
GRAND TOTAL	**34,750,194**	**44,293,681**	**37,316,277**

SOURCE: World Trade Atlas, Mexico Edition, December 2001.

Woven Cotton Fabrics ***Headings* 5208, 5209 , 5210 , 5211, 5212** **UNITS: *Kg***			
Exports to:	1999	2000	2001*
UNITED STATES	**136,245,513**	**129,428,934**	**78,139,958**
OTHER			
CANADA	452,457	2,375,465	3,460,757
COLOMBIA	1,814,732	4,192,112	3,278,068
VENEZUELA	3,020,497	3,114,771	1,893,433
TOTAL OTHER	**5,287,686**	**9,682,348**	**8,632,258**
OTHER NOT LISTED	19,720,360	27,671,543	16,528,577
GRAND TOTAL	**161,253,559**	**166,782,825**	**103,300,793**

SOURCE: World Trade Atlas, Mexico Edition, December 2001.

Woven Cotton Fabrics ***Headings* 5208, 5209 , 5210 , 5211, 5212** **UNITS: *M^2***			
Imports from:	**1999**	**2000**	**2001***
UNITED STATES	**630,587,496**	**574,566,075**	**1,464,793,784**
OTHER			
INDIA	6,783,976	2,877,275	32,454,057
CANADA	9,284,927	12,738,340	16,047,299
CHINA	2,035,246	4,507,952	20,615,463
SOUTH KOREA	8,794,017	10,614,666	16,051,444
TOTAL OTHER	**20,114,190**	**27,860,958**	**85,168,263**
OTHER NOT LISTED	72,606,039	83,313,307	57,547,334
GRAND TOTAL	**723,307,725**	**685,740,340**	**1,607,509,381**

SOURCE: World Trade Atlas, Mexico Edition, December 2001.

SECTION III. NARRATIVE ON SUPPLY, DEMAND, POLICY, & MARKETING

Production

For the upcoming 2002/03 (August - July) season, Mexico's cotton production is expected to fall sharply to approximately 188,000 bales, down 56 percent from the current year. This is the lowest production level since 1993, when a large white fly outbreak in the northwestern part of the country was one of the reasons for the terrible crop that year. While both Mexican government support and world prices continue to be low, producers are also finding that the lack of available financing and dry weather in some parts of the north are hampering their planting plans. This is particularly true for producers in Sonora, where the forecast for planted area has been reduced from 13,000 hectares in 2001/02 to only 3,000 hectares for the crop now being planted. In Sinaloa, growers planted alternative crops with less risk and "relatively" higher profits, such as corn. Meanwhile, in Tamaulipas, the lack of water availability and early-season drought conditions prevented growers from planting. Production of cotton by state for MY 2001/02 and the estimate for MY 2002/03 are as follows:

CROP PRODUCTION BY REGION/STATE

	2001/02			2002/03*		
Region and State	Hectares	Preliminary Estimated Production (Bales)	Yield (ton/has)	Hectares	Forecast Production (Bales)	Yield (ton/has)
Sonora (South)	11,000	58,000	5.3	2,000	10,000	5.0
Sonora (North)	2,000	8,000	4.0	1,000	4,000	4.0
Sinaloa	1,980	11,900	6.0	----	----	--
Mexicali, Baja California	22,800	138,418	6.1	13,290	66,450	5.0
Cd. Juarez, Chihuahua	23,700	113,700	4.8	22,000	99,000	4.5
Delicias, Chihuahua	6,500	34,000	5.2	1,200	6,000	5.0
La Laguna, Coahuila	9,326	62,954	6.8	500	3,000	6.0
Tamaulipas (North)	2,000	6,100	3.1	----	----	--
Tamaulipas (South) & Others	280	870	3.1	----	----	--
Total	79,586	433,942	5.5	39,990	188,450	4.7

*Preliminary Forecast
Source: The Confederation of Cotton Associations of the Mexican Republic.

Sonora, which is entirely irrigated, is traditionally one of the most important cotton producing states for the spring/summer crop cycle. The lack of rain in the state during the past year, however, has significantly reduced reservoir levels in important dams in Sonora's Yaqui Valley. Sonora reservoir levels in the Calles dam, for example, are reportedly down to approximately 18 percent of capacity, which is 21 percent lower than this time last year. A similar situation prevails in Tamaulipas, where the La Amistad dam level is also reportedly down 28 percent in 2002; this represents a significant decrease from 2001, especially given the fact that the dam was then operating at only 40 percent of capacity.

Also, production in the Mexicali/San Luis area is expected to decrease to 66,000 bales, compared to 138,418 bales produced last year. This decrease is due to fewer planted acres, dry weather, and general uncertainty in the markets. Preliminary planting figures in other areas, namely Torreon (La Laguna) and Delicias, turned out to be lower than had been expected because of growers' general pessimistic outlook. Reportedly, farmers are finding corn and sorghum more profitable than cotton.

Production Policy

Cotton producers are receiving subsidies this year from the direct support program, PROCAMPO, which covers cotton and other crops (see MX 2037). According to official sources, a flat rate per hectare payment of 874 pesos per hectare (US$98/acre) will be given to farmers for the spring/summer 2002 crop cycle and for the fall/winter crop of 2002/03. This payment is 5.43 percent greater than what the Agriculture Minister (SAGARPA) paid during the same period in 2001/02. According to the Confederation of Mexican Cotton Associations, however, this support is insufficient to promote cotton production for MY 2002. The Confederation continues to claim that Mexican cotton production can be competitive with the U.S. crop only if international cotton prices increase and it receives additional government subsidies.

PROCAMPO is the Mexican government's program designed to alleviate the transition from a guaranteed price regime to an open market, with a direct cash per hectare subsidy to farmers for nine basic crops. The system of direct payments-per-hectare was first announced in October 1993 but has been modified several times since then. The direct payments will last 15 years, with the payment level held constant in real terms during the first 10 years before decreasing in linear terms starting in the 11th year (the fall/winter 2005/06 planting cycle).

On March 15, 2002, SAGARPA announced the operational rules for the "Alliance for the Countryside" for CY 2002. The Alliance is an umbrella program for most of SAGARPA's domestic support activities. The announcement included several aspects that regulate those activities, as well as the official programs, including operational procedures, the responsibilities and contributions of both the federal and state governments, credit activities, direct aids to complement farmers' investments, etc. A program for helping cotton producers was included in the announcement (which is part of the more general Promotion Agri-industrial Crops Program). The program includes a subsidy of 5,152 pesos per hectare (roughly US$542.00/ha). This program is in addition to PROCAMPO. Under this subprogram, eligible producers can apply for the following:

Support for technical assistance: pesos 4,200/ha (US$ 442.11/ha.)

Supports to meet specific sanitary/Phytosanitary regulations: pesos 329.00/ha (US$34.63/ha);

For the use of transgenic planting seeds: pesos 455.00/ha (US$47.89/ha).

Technical Assistance: pesos 168/ha (US$17.68/ha).

It should be noted, however, that the payments to support and encourage cotton production have been hampered by budgetary constraints. Furthermore, cotton producers complain that the program's benefits are untimely and insufficient to stimulate cotton production. In addition, the producers have found complying with all of the program's requirements to be very difficult. Reportedly, SAGARPA officials do not foresee being able to solve the budget constraints during MY 2002/03.

The Confederation of Cotton Associations of the Mexican Republic estimate that the Mexican market situation will worsen with the competition from cheaper U.S. cotton, which they perceive as unfair, due to the new Farm Bill. The new bill provides a stronger farm safety net through increased subsidy protections to U.S. cotton growers and eliminates the US$1.25-cent threshold on the U.S. "Step 2" payments paid to U.S. mills and exporters.

Although Mexican mills bought local cotton, the United States covered the majority of Mexico's cotton demand and total off-take improved only slightly. The market situation worsened and political pressure on Mexican mills intensified when Mexican cotton producers complained about the competition from cheaper U.S. cotton, which they perceived as unfair, due to the U.S. "Step 2" program.

Yields

The yields around the country traditionally vary. The overall average yield for the MY 2002/03 cotton crop, however, was 4.7 bales/ha, with yields varying between 4.0 and 6.0 bales per hectare.

Inputs

Costs of production for cotton vary according to areas. In Sonora, for example, costs are estimated at approximately 11,000 pesos/ha (US$1,158/ha). While in the Mexicali/San Luis area costs are reportedly 14,000 pesos/ha. According to industry sources, average costs are estimated at 13,000 pesos/ha (US$1,368/ha).

Cotton producers complain that low prices (US$0.39/lb.) and increased production costs leave only losses. In the southern part of Sonora, for example, the projected yield is 4.0 bales per hectare. Given the total PROCAMPO support of 874 pesos per hectare and the 7,114 pesos per hectare that the producer will receive for his crop given an estimated price 1,778 pesos per bale (US$0.39 a lb.), the

Sonora grower will receive 7,988 pesos per hectare, with cost of production at 11,000 pesos, for a loss of 3,012 pesos (US$317) per hectare. This calculation does not include the cotton support under the "Alliance for the Countryside" program, as it has not been implemented, due to GOM budgetary constraints.

Consumption

For MY 2002/03, consumption is expected to decline slightly to 1.9 million bales. The decrease in consumption is attributed to the decline in Mexican textile exports (due to the slowdown in the U.S. economy and relatively high cost of production), a strong peso and heavy apparel imports, mainly from Asian countries. Moreover, Mexican cotton mills' use continues to stagnate, despite recent decreases in cotton prices. Although Mexican mills buy local cotton, the United States continues to cover the majority of Mexico's cotton demand. There are two main users of Mexican cotton — the textile and cotton seed oil industries. From the cotton boll, the yield is usually 35-36 percent fiber, 55 percent seed, and 10 percent waste. Cotton seed is considered a by-product for the cotton producer.

Trade

According to U.S.-based Cotton Incorporated, Mexico continues to be the most important export market for the U.S. cotton. Moreover, Mexico consistently has sourced approximately 90 percent of its foreign cotton from the United States. For MY 2002/03, however, Mexico's imports are forecast to drop 3 percent as consumption is also decreasing almost 50,000 bales. The Mexican cotton import and export estimates have been revised upward in MY 2000/01, in line with SE's official data. Also, the MY 2001/02 export estimate has been decreased to reflect updated industry information.

Under the North American Free Trade Agreement (NAFTA), Mexico's tariffs on cotton imports will be phased out by January 1, 2003. For 2002, the Mexican tariff on cotton (HS#5201.00.01 & 5201.00.02) from the United States is 1 percent. Also under NAFTA, the rules of origin for cotton textiles products (such as fiber and yarn forwarding provisions) ensure that only textiles from NAFTA countries benefit from tariff reductions. The following cotton products are subject to NAFTA rules of origin: a) Fiber-forward: cotton yarns; cotton knit fabrics; b) Yarn-forward: most cotton woven fabrics; most cotton/man-made blends; c) Fabric-forward: cotton luggage, handbags, flat goods, cotton fabrics that are coated, laminated, or impregnated; d) Single substantial transformation: men's shirts from certain high-count cotton fabrics; men's shirts from certain cotton/man-made blends; apparel from specific fabrics (corduroy, velveteen).

At the same time, U.S. import restrictions (Section 22 quotas) on Mexican cotton were replaced by a NAFTA tariff rate quota, which will remain in place until January 1, 2003, after which they will be eliminated. In-quota shipments enter the United States duty free. The quota limit for the calendar year 2002 is 12,668 MT (approximately 58,000 bales)

In FY 2001, US$117.6 million of GSM-102 credit were used by Mexican cotton importers, a similar amount to the previous year. For FY 2002, GSM-102 is expected to continue stimulating additional sales. As of April 1, 2002, US$190.58 million of GSM-102 credit have been registered for cotton during FY2002 (Sept-Oct).

Stocks

Stock figures were revised upward for MY 2000/01 and MY 2001/02 and have increased from our previous estimate and forecast, reflecting more recently-available information. With total production expected to slide to 188,000 bales in MY 2002/03, ending stocks are expected to drop 70,000 bales to 701,511 bales. The decrease in carryover is expected to decrease the stocks-to-use ratio from 39.1 to 36.4 percent.

Marketing

The decline in cotton production in Mexico in the next year should enable U.S. exporters to continue strengthening their relationships with Mexican importers. The United States dominates the supply of cotton in Mexico. The United States has a distinct commercial advantage with its close proximity to Mexico, permitting cotton purchases on an "as needed basis." Other countries that compete with the United States are Korea, Chile and India (woven fabrics), China, Spain, Indonesia, and Italy (yarn). The market share of third countries, however, is of very little significance.

Cooperators should continue to promote consumption of natural fiber products over synthetics. Cotton Incorporated (CI) and the U.S. Cotton Council International (CCI) have continued to work actively in the Mexican market. There are a wide variety of activities and services that CI and CCI makes available to help develop U.S. cotton interests in Mexico. Similarly, the FAS/Mexico Agricultural Trade Office (ATO) encourages the U.S. cotton industry to take advantage of the benefits the USDA's GSM-102 and the Supplier Credit Guarantee Program (SCGP) export financing programs. Moreover, there are a wide variety of activities and services that the ATO, along with the CCI and CI, make available to help develop U.S. agricultural interests in Mexico. The CCI office is located in San Jose, Costa Rica and the CI office is located in Mexico City. These two offices can be reached at the following addresses:

Cotton, Inc.
Ave. Insurgentes Sur 1605-9-C
03900 Mexico, D.F.
Ph.: 011-525-663-4020
Fax: 011-525-663-4023
Email: GLastiri@cottoninc.com

Cotton Council International
Edificio El Malinche
Piso 3, Oficina 7
San Rafael de Escazu
San Jose, Costa Rica
Ph: (506) 228-5438

Fax: (506) 288-0775
Email: fschuyler@cotton.org
Website: www.cottonusa.org

Textile Industry

Like the cotton sector which has suffered low prices, Mexico's textile industry is facing sluggish demand. According to the National Chamber of the Textile Industry (Canaitex), in 2001, the textile output declined approximately 10.1 percent compared to 2000, which reflects the most serious fall since the economic crisis of 1995, when the textile output dropped 6.3 percent. The main problems the textile sector is facing are the high contraband, the economic slowdown of the U.S. economy, a relatively overvalued currency, and relatively high costs of production.

During the first semester of 2001, for example, textile sales diminished 12 percent with respect to the same period a year earlier. This represented a total value of U.S.$ 738 million, a decline from the previous year, mainly due to the fall in textile exports to the United States. In addition, clothing and textile exports showed an decrease in CY 2001 of 7.6 percent from 2000. At the same time, textile imports increased 1.8 percent in 2001, whereas textile imports for the "maquila" industry, which are typically re-exported, decreased 3.2 percent for the same period.

According to the National Institute of Statistics and Geography and Computer Science (INEGI), employment in the textile sector diminished 17.5 percent in 2001, compared to 2000. As a result, Canaintex estimated a loss of approximately 32,000 jobs in 2001. The negative output trend is expected to continue during CY 2002, albeit at a slower pace than a year earlier, assuming that the U.S. economy recovers by the end of this year.

Following are figures showing the average output growth rates for the Mexican textile industry:

Year	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
%	3.3	2.9	3.7	-5	-7	1.1	-6.3	18.5	9.5	4.1	2.2	5.4	-10.1

Data from CANAITEX also reflects the severe contraction that the Mexican textile industry has suffered as a result of the current economic problems. In CY 2001, imports of textile machinery and equipment totaled US$320 million, an astounding 42.5 percent decrease compared to a year earlier.

In CY 2001, Mexico had a negative textile trade balance of US$ 2,282 million, approximately 9 percent higher from the prior year's figure. According to preliminary available information from CANAITEX, cotton fiber represents 55 percent of total fiber (synthetic and natural) consumed in Mexico, the same figure as the previous year. The export apparel industry continues to be the main user of cotton fiber.

CANAITEX complains that the smuggling of illegal textile products continues to hammer the textile industry, in spite of efforts by the federal government. The contraband is mainly of Asian and Chinese origin. Industry sources have complained that with so little information about the Chinese economy, hidden mechanisms such as subsidies may be used to produce goods at cheaper prices than is possible in any other country. Reportedly, the GOM is going to challenge China in the World Trade Organization (WTO) in order to reduce the contraband. China joined the WTO at the end of 2001, but Mexico made a bilateral deal to keep high tariffs on certain Chinese products for another six years.

Meanwhile, the National Apparel Industry Association (CNIV) also complained against the Chinese contraband which is destroying Mexico's clothing trade. In 2001, for example, the clothing trade suffered a devastating slump as exports fell 10 percent from the previous year and 110,000 jobs were lost. Moreover, CNIV sources indicated that losses have been particularly grave in the domestic market. Foreign imports grew by 40 percent in 2001 and now make up 60 percent of the clothes bought by Mexicans, according to CNIV. Despite the fact that most analysts blame a global economic slowdown for the slump on Mexican industry, the Association has centered its attention on the damage done by illegal competition. As a result, the CNIV has petitioned the Mexican Ministry of Treasury (SHCP) and SE to establish measures to control those practices.

Lastly, both CANAITEX and CNIV acknowledge NAFTA's advantages, namely duty-free and quota-free treatment of U.S.-formed and cut fabrics sewn in the Mexican "maquilas" (apparel assembly operations). While prior to NAFTA, Mexican textile producers had a one-sixth market share of U.S. imports, they currently claim No. 2 status, holding more than 40 percent of the share of their nearest competitor. Among NAFTA's advantages for U.S. cotton producers is that the U.S. apparel imports contain significant amounts of U.S.-grown fiber.