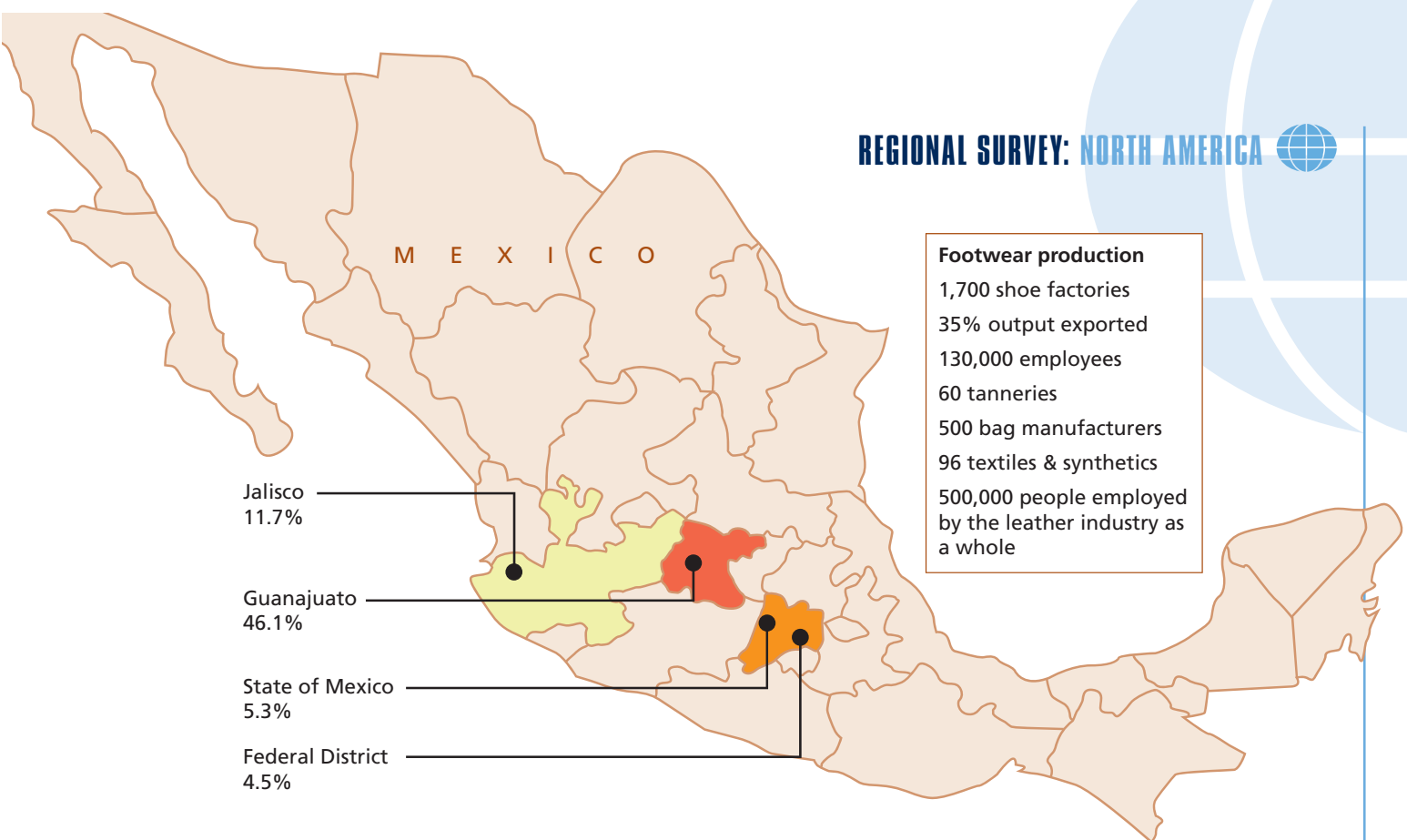




Mexico also faces changes

As can be seen from this simple map, footwear manufacturing in Mexico is a major source of employment that provides approximately 130,000 jobs. The leather industry as a whole employs no less than half a million people and is therefore a significant contributor to the economy. According to figures released by the National Council of Chambers of Suppliers and Producers of Leather, Footwear and Leather Goods (Concalzado), the sector comprises 62% micro businesses with 1-10 employees, 22% small enterprises with 11-50, 10% medium with 51-250 and 6% large with over 250.

Its international competitiveness has, however, declined over the past few years and this has become a matter of concern to all those involved in the industry. One of the factors contributing to this is that the scale of production has not advanced sufficiently as is shown by the fact that only some 16% of manufacturers employ more than 50 people.

The main reason for the decline however—as in so many other cases—has been the emergence of southeast Asia as

a low labour cost producers of all types of footwear in sophisticated factories. It has also been affected, to a lesser degree, by the appreciation of the peso against the dollar. At the same time, imports of finished footwear have increased substantially. Mexico is facing the same problems as so many other countries and has seen a fall in the number of footwear

manufacturing companies, an allied loss of jobs and a reduction in exports. Current prospects for the industry are therefore not rosy.

Alternative strategies

The industry has now come to realise that it will have to alter its approach and specialise in the manufacture of ➤

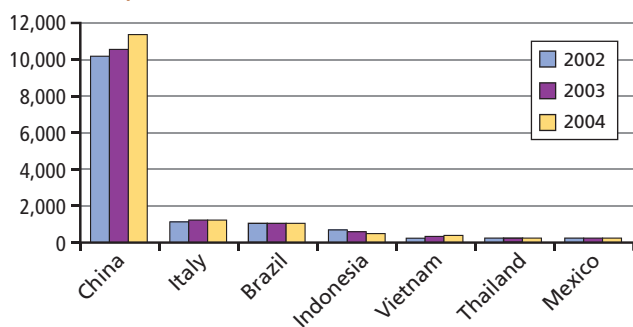
Balance of trade for the leather industry (millions of dollars)

	1996	1997	1998	1999	2000	2001	2002	2003	2004
Total									
Exports	743.6	941.7	973.8	980.8	1,065.7	837.0	734.0	757.0	751.7
Imports	721.1	992.4	1,172.5	1,221.9	1,414.4	1,469.0	1,603.0	1,706.6	1,977.5
Balance	22.5	-50.7	-198.6	-241.1	-384.7	-632.0	-869.0	-949.6	-1,225.8
Hides & leather									
Exports	193.8	191.6	227.9	236.5	279.0	255.0	220.0	241.9	235.4
Imports	415.8	562.6	674.3	742.6	818.9	810.0	870.0	847.0	1,020.3
Balance	-222.0	-370.9	-446.4	-506.1	-539.9	-563.0	-650.0	-605.1	-784.9
Leathergoods									
Exports	205.8	280.4	302.1	317.9	381.7	225.0	185.0	196.3	225.9
Imports	202.5	281.8	336.2	316.9	405.3	388.0	395.0	459.0	565.8
Balance	3.3	-1.4	-34.1	1.0	-23.6	-163.0	-210.0	262.7	-339.9
Footwear									
Exports	344.0	469.7	443.8	426.4	405.0	357.0	329.0	318.8	290.4
Imports	102.8	148.0	162.0	162.4	190.2	271.0	338.0	400.6	391.4
Balance	241.2	321.7	281.9	264.0	214.8	86.0	-9.0	81.8	-101.0

Source: World Trade Atlas

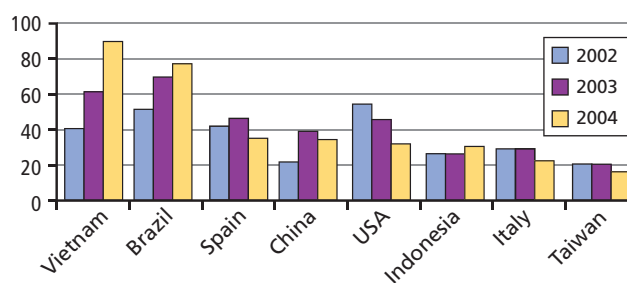
WORLD FOOTWEAR

Footwear imports into the USA (millions of dollars)



Source: World Trade Atlas

Imports into Mexico (millions of dollars)



Source: World Trade Atlas

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medium and lower volumes of certain products. It will also have to concentrate on specific market segments such as medium-to-high-priced handmade or Goodyear welted footwear for men, shoes for infants and children, safety footwear and boots or bootees. All of these are made from leather or textiles that Mexico is well equipped to produce for itself.

If it does go down this route, and it probably has little option, the industry will have to downsize substantially. It will also bring Mexico face to face with Italy and Spain, which are already well adapted to this strategy, and Brazil, which began to move in this direction a few years ago. It will be a tough fight whatever happens.

It has also embarked on a major training programme in order to raise productivity under the leadership of Concalzado. The Programme for International Competitiveness of the Leather-Footwear Cluster has so far provided technological benefits for more than 520 companies. In addition, the Centre for Business Connection has trained people from over 1,000 companies in aspects of re-engineering, organisational development and quality management in general. In all, representatives from more than 2,900 companies have attended training programmes and presentations by international specialists.

Exports

What is also surprising is that Mexico has struggled to maintain its level of exports to the US despite its geographical proximity and a long-standing trading relationship. Its membership of the North American Free Trade Association (NAFTA) since 1994 does not seem to have helped much either, such is the fondness of

REGIONAL SURVEY: NORTH AMERICA

major American retailers like Wal-Mart for the cheapest possible Chinese footwear. America does not therefore look like a potential saviour.

Imports

In this instance the villain of the piece as far as Mexican manufacturers are concerned is surprisingly not China. Vietnam managed to more than double the value of its footwear exports to Mexico between 2002 and the end of 2004, overtaking Brazil on the way. Much of this will have been very cheap product and this once again shows that consumers are driven more by price than anything else, regardless of the country they live in. This will obviously have a serious affect on Mexican producers at the low end of the market.

Prospects

Mexico's shoemakers have been hit hard by the globalisation of the footwear industry just as have so many others. Mexico's problem, however, is that it has probably reacted too slowly and that the only path that seems open to it is already filled with other countries all jostling for the lead.

However, Mexico has good raw materials and some unique products that could be developed into ones that the world will buy. Although it has much ground to make up, there will be survivors, as there always are, but in a much-changed industry.

ANPIC

The National Association of Suppliers for the Footwear Industry, to use its full name, is a voluntary affiliation of supplier companies to Mexico's leather and footwear industry. It was formed in September 1979 in the city of Leon, Guanajuato, to promote this type of company in both national and international markets and to assist with their overall development. It has since concentrated on encouraging the integral growth and development of Mexico's footwear supply chain and the development of an infrastructure that is able to provide products that are competitive in terms of both price and quality. ANPIC members come from the following sectors of the industry.

ANPIC offers its members a number of specific benefits including marketing at national and international levels of their

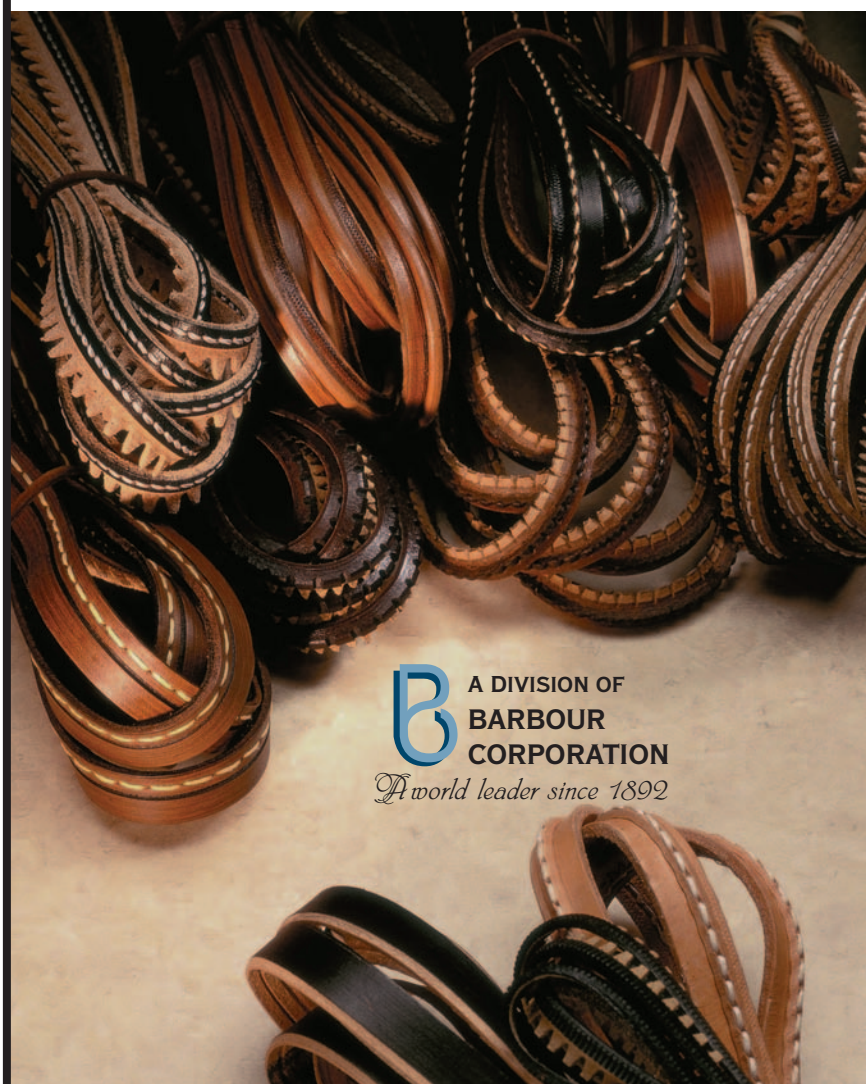
products and services, through two major exhibitions for the supply side of the industry. ANPIC Autumn/Winter and ANPIC Spring/Summer, both held in Guadalajara, Jalisco, Mexico. It also promotes members' products in a permanent Fashion Hall located at its headquarters.

Help is also provided with commercial opportunities and contacts for distribution or representation, while there

is international promotion through commercial missions and pavilions at international fairs worldwide. It advises on fashion trends and international trade, organises training programmes, protects the industry's interests and represents it before municipal, state and federal authorities. It is also the only association of its type in Mexico to have implemented a Quality Assurance System based on ISO 9001: 2000. 

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