



Current state of internationalisation of the textile and clothing industry in Medellin

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### **Gratefulness**

We thank God and our parents for the support you have given us throughout our career, by the values that we have instilled and for being the voice of encouragement in moments of weakness, for giving us the opportunity to educate ourselves and allow to come this day in which we deliver our work to grade. Also thank the support and dedication from our Advisor Edwin Gómez and others who in some way contributed to this research project.

## **Abstract**

The present work was carried out in order to know the current state of textiles and clothing in the city of Medellín to determine aspects that may influence favorably or unfavorably on their growth, on the basis of an analysis of the global environment where we identified the main players that move the textile industry, along with the study of the evolution that has had this industry over the past years nationwide, making a tour of imports export and percentage of participation of major cities of the country in relation to the production and marketing of textile products; This research was carried out by means of web pages, books, magazines, databases, among others, where were to comply with the proposed objective identified the negative aspects that hinder the growth of textile and clothing in Medellín as the little use of the FTA, the scarce development of technology and infrastructure and the revaluation of the peso against the dollar contrary to this, also identified competitive advantages that owns this sector and programmes and incentives that can be exploited to its growth. Finally there are the conclusions and recommendations that can contribute to the development of strategies to improve the status of textile and clothing in Medellín

**Keywords:** Competitiveness, Internationalisation, Textiles, Industry

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### **3 List of symbols and abbreviations**

#### **3.1 List of symbols**

**USD:** Dollar

**%:** Percentage

#### **3.2 List of abbreviations**

**DANE:** National Administrative Department of statistics

**DIAN:** Directorate of National Taxes and Customs of Colombia

**GDP:** Gross domestic product

**USA:** United States of America

**INEXMODA:** Institute for export and fashion

**OMC:** World Trade Organization

**ANDI:** Colombia Industrial Association

**FOB:** Free on board

**CIF:** Cost Insurance & Freight

**FTA:** Free Trade Agreement

## 4 Introduction

For many years the textiles and clothing has been of great importance both nationally and internationally for being generator of employment, provide added value throughout its production chain and its significant contribution to the economies of different countries

However, the industry has had to face major challenges such as high production costs, elimination of import quotas, competition, among others, which have decreased their competitiveness negatively affecting entrepreneurs, investors and community in general. Colombia have implemented strategies in order to strengthen this industry since since its inception it has been essential to the economic balance of the country and with the passage of the years has had a growing openness to foreign trade allowing that the country and especially the city of Medellin is recognized as a world leader of fashion.

In this sense, this work has aimed to analyze the current state of the textile sector and confecciones beginning with the global situation and identifying the major producers, traders, importers and exporters countries engaged in activities pertaining to this sector, in short, those actors who move the industry internationally. Likewise, evaluates the evolution that has taken the sector at national level both in production and supply to the local market in purchases and sales and from abroad, also identified the participation of Colombia in the world and what are the main cities that contribute to the development and growth of the industry. Eventually becomes a full analysis of the sector in the city of Medellin, where the main participating companies, identify the range of exportable products, the changes that have been taken in recent years and

the factors that have influenced so that these are made, additionally performs an evaluation of the textile sector of Bogota as a point of comparison of development in both cities.

Finally as a closure of this investigation, conclusions according to the results of the analyses performed to the sector at national and international level, the current description of the same and the conditions in which it is located are, also presents some recommendations to improve the competitiveness of the industry and allow domestic products to cover more markets abroad.

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## 5 Background

The Colombian textile industry is one of the most important and traditional, has more than 100 years of history and has been characterized by having several outstanding companies in the international arena (Sectorial, 2011); This sector was born at the beginning of the 20th century mainly in the city of Medellín with the creation of the Coltejer and factories company Antioqueña of yarns and fabrics to textile sector becoming one of the most important in the country.

In order to promote the production, strengthening, development and competitiveness of textile enterprises, Inexmoda, an Institute that offers participants from the sector a broad portfolio with options for export, research, knowledge and trading platforms that are implemented in events of international as Colombiamoda, fashion week, Colombiatex, among other court was constituted in 1987 which in turn projects around the world a good image of Colombian fashion. (Inexmoda, s.f)

In 1991 the textile industry faced an economic crisis as a result of the opening of foreign markets, which brought with it a high competition of goods and services, which led to rather than facilitate and strengthen the competitiveness of the sector both nationally and internationally that the positioning of this weakened due to the increase in imports and the transfer of domestic production to other countries due to the low technological and logistics development for that time it was. Therefore, that there is a need to implement better strategies in terms of production and marketing in order to break new ground and make this industry more competitive. (Muñoz, 2011, p. 52 and 53)

Indeed with the above despite this crisis, the sector textile and clothing for many years has been characterized by its tradition and outstanding contribution to the economy of Colombia, has an impact on the generation of employment, internationalization, production and economic development of the country.

In fact, major companies in the sector which include: Coltejer, founded in 1907, Fabricato, founded in the year 1920, Modelia S.A and Valher of the year 1940, 1942 Lafayette, Everfit e Indulana founded in 1944, Protela S.A in 1950 and Leonisa incorporated in 1956 were pioneers in the sector, which is considered one of the major industries since the last century; However it does not protrude as expected according to the Ministry of industry and trade of the country says that:

In recent decades it was forgetting that the textile-clothing sector was one of the first industrialized and more well the textile industry became the synonym of overprotection of the State. Today the reality is different, according to World Bank studies, is associated with particularly low international competitiveness and technological backwardness. (Money, 2015)

According to DANE, the chain of textile and clothing in 2010 accounted for 1.0% of the national gross domestic product and 10% of manufacturing GDP. During the year 2010 the result of manufacturing industry compared to 2009, showed an increase at 4.9%; industrial activities which presented higher growths in 2010 were: transport in 22.2%, tanning and prepared leathers, leather products and footwear at 17.6%, woven of knitting and crochet; garments in 16% and textile articles, except apparel at 14.6%. 2. (economic, 2011)

On the contrary, the study by Garzon (2015) concludes that given the geographic position of Colombia, its comparative advantages, its economic growth and stability, political, fiscal and regulatory, competitive and strategic advantages of their companies, as also the growing number of FTA and multilatinas companies including several Colombians that have internationalized their operations, the country and its companies plunge ever deeper into the international market despite the fact that the trade continues between Asia, Europe and North America, the emerging countries are already taking an important role in this. The multilatinacionalizacion of trade and market impacts business strategy so it is essential that both the Government and businesses work together to improve all those factors that represent delay in the process of internationalization, such as infrastructure, organizational culture, innovation and the knowledge.

This is supported by DANE that calculates that in Colombia the textile industry has a consolidated production line and "represents 7.5% of manufacturing GDP, 3% of the national GDP and constitutes more than 5% of the total exports of the country". (Procolombia, 2015). In the specific case of the Antioquia capital Inexmoda (s.f) expressed that:

Contributes 60% of the economy of the Department and the industry concentrated in Medellín and its metropolitan area is the second industrial center of Colombia. Textile production is the emblematic activity of Antioquia generates 53% of industrial employment in the region and today exports its products to international markets important to Medellín becoming the capital of fashion in Latin America.

It should be noted that according to departmental levels of competitiveness in the year 2015, Antioquia is the second most competitive Department of the country according to the qualifications has the basic conditions such as innovation and sophistication, but it is important

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to implement improvement strategies that allow a higher efficiency; It also has an excellent institutional performance, good results in the field of infrastructure as it relates to ICT, transport and air infrastructure. (Rosario & Restrepo Abondano, 2015)

In Medellin textiles industry comprises companies that interact with each other in carrying out activities of dressmaking and design to meet the needs of consumers, this marriage business is known as the textile Cluster, dressmaking, design and fashion, this group was formed with the objective of generating value shared for the entire textile chain promote innovation and strengthen industry businesses to achieve access and recognition in international markets, quality, design and fashion. (Medellín, S.f)

This cluster includes the production of synthetic and artificial fibers such as polyester and nylon, natural fibres such as cotton and silk, as well as weaving, spinning, dyeing and finishing processes; the companies in manufacturing, design and marketing of finished products, both nationally and internationally are also part of this group. In Colombia there are approximately 10,000 makers, 450 textile manufacturers, including small workshops. 35% of the clothing companies are in Medellin and 48% of the textile industry of the country, is a very complete sector that emphasizes business cooperation (Mayor, S.f) and the development of new strategies for example in recent years the industry has chosen to implement green technologies in their activities and has chosen you to innovative products such as the intelligent fabrics whose main characteristic is to be wrinkle and stain resistant in the same way companies have begun to focus on the production of Premium products aimed at small segments of markets. (Dinero, 2012)

Indeed, during the last few years small companies known as SMEs have evolved mainly in production increased accordingly its level of indebtedness has increased with its suppliers and

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banks, this is due to the growth in demand for inputs and raw materials causing companies to reduce their competitiveness in the market since they do not have enough resources to increase production expand their plants and improve the working conditions of their employees, factors that are indispensable for consolidation in the domestic market and to open up to foreign markets (Otero & Dueñas Guarnizo, 2013), according to the information provided by the Chamber of Commerce of Medellín (2015) SMEs are a segment that has important interests in Medellín and stand out as powerful driving forces behind business specialization and growth due to factors such as innovation , quality, efficient administrative management, specialization of products and good service to the customer, but its growth is still insufficient, require incentives and support both large companies and the State to achieve its consolidation and expansion.

Likewise, the textile industry has experienced major challenges due to difficult situations around the world as the 2008 crisis, facing an interest rate high, international competition, legal and illegal, smuggling and helplessness of the Government; Currently, according to the figures and the slow but sustained in Europe and the U.S. recovery remains as one of the most important sectors. One of the advantages that have textiles in Medellín is to have a broad portfolio of companies that offer products and services that covers the entire production from beginning to end in the textile market. (Henry, 2013)

On the other hand, in an article published by Telemedellín (2016), Dr. Carlos Botero President of Inexmoda calls to the Minister of industry and trade Cecilia Alvarez to work harder to achieve the Elimination of tariff barriers, because that Ecuador enacted a safeguarding of 17%, reducing Colombian exports to that country, however the Minister expressed that "Ecuador and



Venezuela cannot remain the strategic destinations" it is ideal that employers in the sector are not dependent of these markets and therefore to explore new destinations.

Similarly Procolombia, (2014) says that the Colombian textile sector has opportunities with the Pacific Alliance because of the potential that presented at Colombiatex 2014, according to figures from Trademap, Colombia is the provider number thirteen textile and apparel from Mexico, the tenth of Chile and Peru room "national industry can increase its participation in those markets and we have business opportunities identified to achieve this" said María Claudia Lacouture , President of Procolombia.

## 6 State of the Art

In Colombia, the textile industry represents 7.5% of manufacturing GDP and 3% of national GDP, because of its importance this work aims to explore its current status in the city of Medellin. According to angle, moon, (2005). The textile industry is one of the most important in the world and constitutes a significant revenue Center especially for developing countries, this has been shaped by various trends creating opportunities for Colombia in countries like Ecuador, Venezuela and Brazil among others, therefore, the sector is willing to implement new competitive strategies to continue in the local and international market and overcome the obstacles generated over time.

Based on the above, the study conducted by clay (2009), is accomplished to perceive the textile industry in Colombia as representative part in the economy of the country, according to data collected in 2007 there is a continuous growth of 47% showing that generated products have had great success both nationally and internationally.

However, says that shortly after technologies, the global crisis, trade relations, lack of road infrastructure ports and use mainly the poor training of the people influencing the low competitiveness of the textile industry. To the extent the Government and entrepreneurs to develop measures to overcome these shortcomings will allow the improvement of the quality of life of the communities and increase in efficiency, productivity, creativity and innovation enterprise-level.

On the other hand, Libya García Rodríguez in its publication differences between Medellin and Bogota textile cluster concludes that the textile sector in the period from 2001 to 2011 has had a growing trend in the economy of the country, allowing you to position itself as a world-

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class industry, this leads to be more competitive in order to realize international negotiations to benefit the foreign market entry of products. However, distrust of the sector prevents the development of the strategy put forward by the clusters. Like Juliana Conde, Libya Ruiz considered that the basis for the functioning of the sector and its competitiveness is the knowledge and training of the persons seeking to improve the productive processes of the companies. (Libya, 2012)

According to a study by Olga Samán and Diana Salamanca, the fundamental factors for the development of companies in the textile sector are the knowledge, culture and human resources, should also invest in the improvement of technology, infrastructure, and optimization of production processes; employers should be informed and updated with permanent changes in the market, for this reason it is important that companies participate in events offered by the Government to achieve a proper applicability of transmitted concepts. Medellin has developed programmes of cooperation in the textile industry, Cluster, which implemented the "Godfather plan" that aims to boost SMEs through transfer of knowledge to optimize the internal factors of enterprises such as corporate culture, innovation and the improvement of production processes; Thus, Medellin has reached higher levels of competitiveness in the country, managing to position itself as the national leader in exports of clothing. (Jimenez & Salamanca Villamarin Olga, 2012)

It is clear that this sector has many factors that support and promote its growth, as the labour force given that millions of people and especially women are employed in industry by its precision, finesse and patience when producing large quantities; also affects the fact that the productions do not require large investments of capital and operations do not require labor very

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special skills, in addition to being one of the most protected by the world economy sectors. (Adhikari and Yamamoto 2006)

Meanwhile Angélica Pérez Mendoza said in his investigation that internationalisation is an important strategy for a company that aims to be competitive globally, today should expand and seek new markets abroad to continue in force and have a long lasting life cycle. However, to develop a plan of internationalization and applicable industry modernization textile in Colombia it is essential that Government create strategies that can develop jointly with local firms to attract foreign investment by implementing improvements in infrastructure that provides the industry comfort and opportunity to be more efficient and get to compete in the international market. (Perez, 2009)

According to the above, Lluís (2004) in his study mentioned that one of the strategies that must implement companies in the textile sector to survive in the market is to identify competitive advantages has conducting a study of the processes and the products in order to identify shortcomings and undertake strategies that enable to obtain a differentiation or specialization in all actions of the company to avoid loss of competitiveness in the market.

Additionally as mentioned in the report of the textile sector 2008-2012 preparation, for the industry it is very important to take advantage of trade relations not only which possesses with us but also other free trade agreements since the tariff preferences to promote internationalization and growth, providing the opportunity to make inroads into new markets for textiles and clothing, the treaties and agreements with other countries open the doors to take on new challenges in relation to the implementation and technology and improvement of processes to

comply with the standards and requirements at the time of entering the international market. (Vélez, et al., 2012)

It is worth mentioning that Medellín as innovative city is one of the protagonists in the processes of industrialization and internationalization in the textile sector, its high level of entrepreneurship has allowed to put up the name of the country, it contributes to the development of the city and the Department providing new business opportunities for SMEs through institutions such as Inexmoda, which provides training and research tools contributing more and more to the growth of the sector.(Osorio, 2013)

This research is intended to reach conclusions that propose a monitoring scheme that will ensure the implementation of changes and growth in the sector with the intention that entrepreneurs are pointing to high competitiveness and not only display new market horizons, but the application of innovative processes that will help to strengthen the sector.

## 7 Approach to the problem

The textile and clothing industry consists of companies that interact with each other in order to make clothing and design, activities aimed at meeting the individual needs of men and women of all ages, as well as generate competitiveness, profitability and value added to this sector.

Additionally, the industry textile and clothing in Colombia has more than 100 years of experience with a consolidated and experienced production line. This sector represents 7.5% of manufacturing GDP and 3% of national GDP, constituting more than 5% of the total exports of the country (Procolombia, 2015). Procolombia Maria Claudia Lacouture President affirms that:

Colombians, as they have mentioned many of the buyers, are up to date with many of the things that are necessary. You have to improve or refine on issues such as the times of delivery, costs, quality and designs, but we are going in the right direction and we are already responding to the needs of consumers worldwide. (Procolombia, 2013)

Currently, the textile industry generates growth in the economy of the country in the economic and social field and especially in Medellin considered the leader at the national level. Therefore, this research aims to analyze the current state of the textile sector in the region in relation to its internationalization, identifying the main factors of influence for the development of this process. This leads to ask ¿what is the current state of internationalisation of the textile and clothing industry in Medellin?

## 8 Justification

Director of strategic transformation of the Institute for export and fashion (Inexmoda), Luz Adriana Naranjo, said that changes in the business model that is presenting the textile industry and clothing have led to the decline of external income, explained that the companies have replaced these exports with sales in the domestic market, the relationship a few years ago was that for every dollar sold in the domestic market were exported eight , and today everything otherwise, for every dollar that we export are sold eight in the national market. (Benedito, 2013)

While Medellin and Antioquia continue to be leaders in the sector and that its nationwide sales are significant, it is clear that the foreign market has declined, according to figures from the National Administrative Department of statistics (DANE), "between January and November 2014 Colombian textiles and supplies exports recorded \$330 million, showing a fall of 8.7% compared to the value exported in the same period from 2013". (Republica, 2015)

Therefore, this project aims to analyze the evolution that the sector has had in recent years in order to demonstrate the new realities so that employers and readers to understand the socio-economic impact and so become aware and generate new strategies in face to face competition caused by free trade agreements.

In short, this thesis is clearly justified by the importance of investigating the current state of the textile sector in Medellín mainly processes of internationalization of the industry, identifying the impact of the strategies proposed by the Government and the factors that can make a company is more attractive to international markets.

## 9 Objectives

### 9.1 General objective

Identify the current status of the internationalization of the textile and clothing industry in Medellin.

#### 9.1.1 Specific objectives

- Describe the behaviour of the textile sector in the domestic market and international
- Contextualize the State of internationalization of the textile sector in the city of Medellin.
- Compare the evolution of the textile and clothing industry in the two main cities of Colombia Bogota and Medellin.



## **10 Methodological framework**

### **10.1 Method**

The research method to be used in the process of this work will be of descriptivo-analitico character, initially aims to describe, explain and publicize the current state of the sector textile in Colombia, after this get conclusions that allow you to understand the behavior of companies textile industry at national and international level and the impact that has the internationalization in this sector , also taking advantage of the same according to the revision of the earlier investigations.

### **10.2 Methodology**

The research will be based on concepts and data found in different media such as books, databases, theses, websites, among others. Subsequently we will analyze the information gathered to identify positive factors and flaws that influence the process of internationalization of the textile sector in Medellín. Finally there will be conclusions and possible recommendations that contribute to the improvement and growth of the industry.

## **11 Scope**

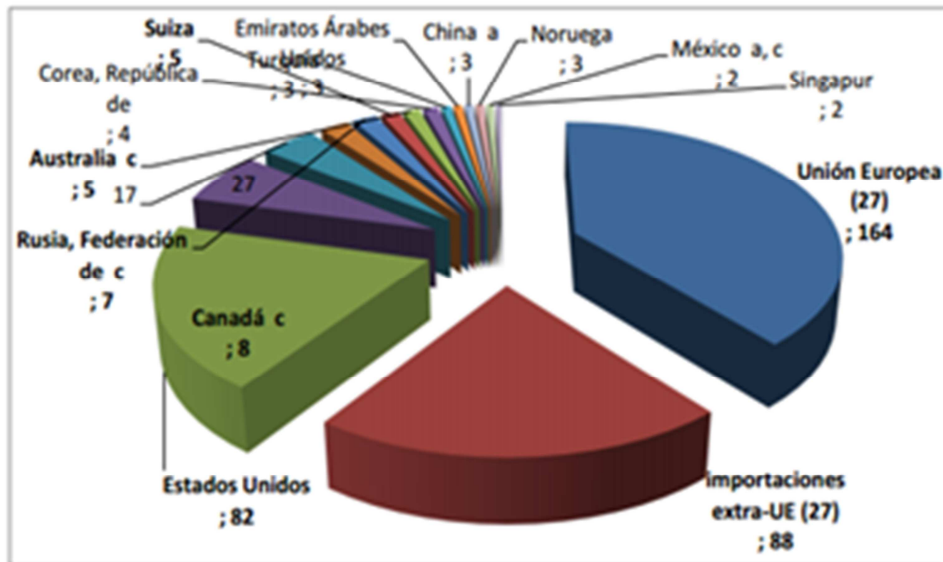
This research is to analyze the process of industrialization v textile and apparel sector in Medellin, Making Tour Imports, Exports and Participation of a National Level.

## **12 Current status of the internationalization of the textile and clothing**

### **12.1 International environment**

A few years ago the industry textile and clothing was described as a trade between three blocks on the world market, currently this description has been modified with the disappearance of the second world and because of drastic changes in the political landscape which have caused the industry to undergo major mutations, trade flows have been transferred from the Western countries towards developing countries located in Asia and Eastern Europe; large companies have opted to outsource production in order to achieve lower costs, so companies in industrialized countries such as India, Korea of the South or Hong Kong have begun to operate in countries of the third world where you can enjoy tax privileges. (Eurosud, 1995).

According to the report published by Inexmoda in the year 2010, 85.6% of world imports of garments were generated by fifteen (15) economies stressing the European Union as the main importer of these products with a value of USD 164.000 million.

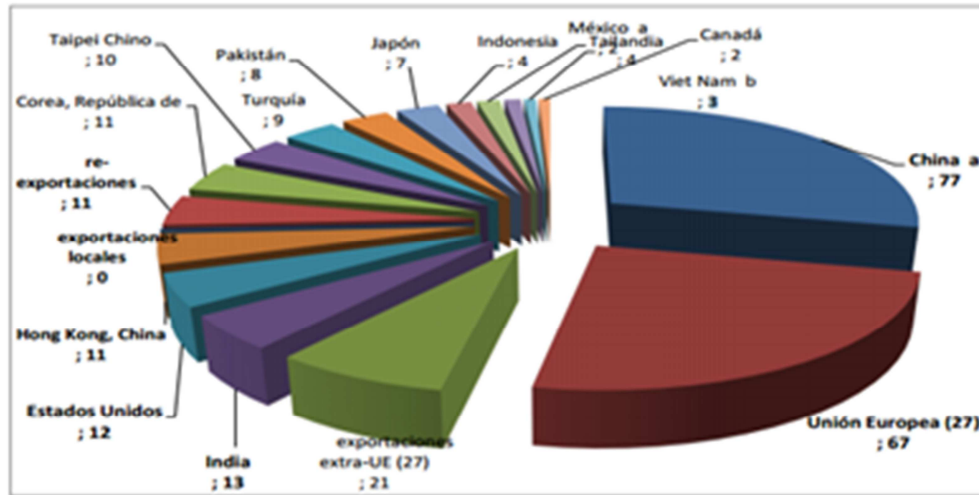


1 Graphic. Distribution of the main importers of clothing 2010.

Source: World Trade Organization Prepared October 2011- National Economic Observatory Inexmoda Fashion System.

In the previous graph, you can see that United States, Japan, Hong Kong, Canada, Russia and Switzerland followed in importance to the European Union on the issue of imports of garments of clothing.

In the same way the European Union led the imports of textiles worldwide in 2010 with a significant value of USD 75,000 million.(Inexmoda, S.f)



2 Graphic. Distribution of the major importers of textiles 2010.

Source: World Trade Organization Prepared October 2011- National Economic Observatory Inexmoda Fashion System.

Based on the results for the two previous graphs, it is important to mention that, over the years, Europe has been the place where some of the most important textile creations have originated and fashion being recognized for its heritage of unsurpassed quality and artisan skill, there are various shops and brands for being leaders in the market as Zara , Louis Vuitton, Christian Dior among others.(europa.eu, 2015)

On the other hand, in the following table are the main importing countries of textiles around the world between the year 1980 and 2010 as well as the percentage change that have had during this period.

Table 1  
Major importers of textiles of the world 1980-2010

Importaciones textiles	Valor Miles de millones USD	Parte en las importaciones mundiales				Variación porcentual anual
		1980	1990	2000	2010	2010
Unión Europea (27)	73	-	-	35,0	27,5	9
importaciones extra-UE (27)	27	-	-	9,9	10,1	18
Estados Unidos	23	4,5	6,2	9,8	8,8	22
China a, c	18	1,9	4,9	7,8	6,7	18
Hong Kong, China	11	-	-	-	-	13
importaciones definitivas	0	3,7	3,8	0,9	0,1	-22
Japón	7	3,0	3,8	3,0	2,7	7
Turquía	7	0,1	0,5	1,3	2,5	39
Vietnam	6	---	---	0,8	2,3	10
México	5	0,2	0,9	3,6	1,9	23
Bangladesh	5	0,2	0,4	0,8	1,9	38
Corea, República de	5	0,7	1,8	2,0	1,8	37
Indonesia	4	0,4	0,7	0,8	1,6	51
Canadá	4	2,3	2,2	2,5	1,6	16
Rusia, Federación	4	-	-	0,8	1,4	7
Brasil	4	0,1	0,2	0,6	1,4	46
India	3	0,1	0,2	0,4	1,0	19
<b>Total de las 15 economías</b>	<b>168</b>	-	-	<b>70,2</b>	<b>63,2</b>	-

Source: World Trade Organization in October 2011 - Prepared Inexmoda National Economic Observatory Fashion System.

It is worth noting, that the country with the largest increase in imports of textiles was Indonesia with 51% followed by Brazil, Turkey and Bangladesh. The increase of imports in Indonesia are largely due to the dynamism of investment and private consumption which have promoted economic growth in the country and offered new opportunities for investment and trade in sectors such as footwear, textiles and leather goods (Embajada de Indonesia en Madrid, 2015).

In terms of global exports of garments and textiles both were led by China with a share of 34.8% in 2013, followed by the European Union with 23.6% as shown in the following table: (OMC, 2014).

Table 2  
Leading exporters and importers of textiles 2013 (billions of dollars and percentage)

	Valor		Parte en las exportaciones/importaciones mundiales				Variación porcentual anual			
	2013		1980	1990	2000	2013	2006-13	2011	2012	2013
<b>Exportadores</b>										
China	107		4.6	6.9	10.4	34.8	13	23	1	12
Unión Europea (28)	72		-	-	36.7	23.6	0	13	-10	3
exportaciones extra-UE (28)	23		-	-	9.9	7.5	2	15	-6	3
India	19		2.4	2.1	3.6	6.2	11	20	0	24
Estados Unidos	14		6.8	4.8	7.1	4.6	1	14	-3	3
Turquía	12		0.6	1.4	2.4	4.0	7	20	3	10
Corea, República de	12		4.0	5.8	8.2	3.9	2	13	-3	1
Hong Kong, China	11		-	-	-	-	-3	0	-7	2
exportaciones locales b	0		1.7	2.1	0.8	0.1	-15	-19	-8	-11
re-exportaciones b	10		-	-	-	-	-3	0	-6	0
Taipei Chino	10		3.2	5.9	7.7	3.3	1	13	-7	0
Pakistán	9		1.6	2.6	2.9	3.1	4	16	-4	7
Japón	7		9.3	5.6	4.5	2.2	0	13	-3	-12
Viet Nam b	5		--	--	0.2	1.6	27	23	3	23
Indonesia	5		0.1	1.2	2.3	1.5	4	16	-5	2
Tailandia	4		0.6	0.9	1.3	1.3	4	8	-14	10
Emiratos Árabes Unidos b,c	3		0.1	0.0	0.8	0.9	9	6	16	23
México a	2		0.2	0.7	1.7	0.8	2	11	5	9
Total de las 15 economías anteriores	281		-	-	90.5	91.8	-	-	-	-

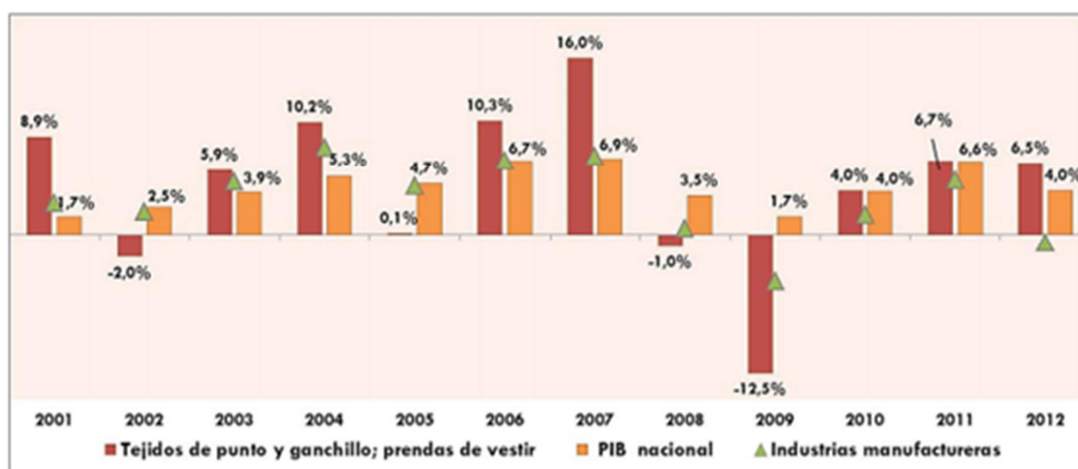
Source: World Trade Organization. Table 11.53

Additionally, it is evident that India had significant growth between 2000 and 2013 rank in third place and moving to United States to fourth place, this due to annual plans of textile

development implemented by the Government of this country to promote the progress of industry and supply of wire and hand-woven that are in this place.(Crece empresa, S.f).

## 12.2 National environment.

Concerning Colombia, their share in world exports of textiles and clothing was 1% according to data collected by the DANE in the year 2012. (Superintendence of companies, 2013). It is worth mentioning, that in the last decade, this industry had an average growth of 11.3% despite having faced various crises such as smuggling, dumping and other illegal practices, which have delayed the companies in meeting their goals. The following describes the annual growth of the sector, the national GDP and manufacturing industry.



3 Graphic. Annual growth in the sector, annual growth of the GDP and manufacturing industry.

Source: DANE Accounts

According to the graph, for 2009, the sector recorded a decline of - 12.5%, due to a strong revaluation of the Colombian peso against the U.S. currency and the political crisis experienced in this year with Venezuela; for 2012 again shows a decline of - 0.2% on the previous year in



tissues and - 2.6% of the GDP because of the Elimination of tariff barriers that allowed the entry of garments at low costs and caused a deterioration in the product and the national economy. (Aktiva, 2013)

With respect to the foregoing, trade liberalization and the signing of free trade agreements have made that Colombia see logistics as a variable that is important to compete in the global market, is therefore necessary to improve the road infrastructure in order to be more efficient with respect to delivery times and reduced costs of national transport and from its ports. The following table describes international classification for the countries of Latin America where are evaluated dimensions such as traceability, infrastructure, logistics, customs and time.

Table 3  
Latin American countries qualification.

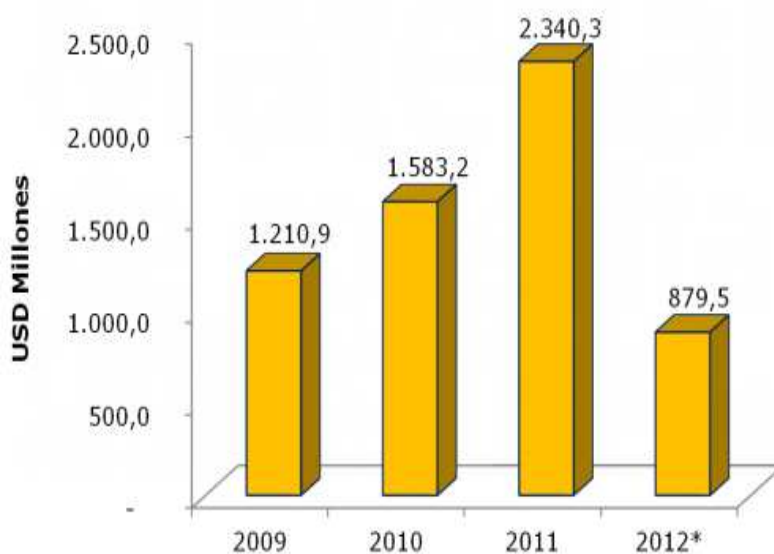
País	Clasificación General		Aduanas		Infraestructura		Comercio Exterior		Idoneidad Logística		Trazabilidad		Justo a Tiempo	
	Puntaje	Rank	Puntaje	Rank	Puntaje	Rank	Puntaje	Rank	Puntaje	Rank	Puntaje	Rank	Puntaje	Rank
Chile	3.26	42	3.17	39	3.17	41	3.12	53	3.19	44	3.30	40	3.59	44
Panamá	3.19	45	3.15	40	3.00	52	3.18	47	2.87	68	3.34	37	3.63	42
México	3.13	50	2.69	70	3.04	50	3.19	46	3.12	47	3.14	55	3.57	46
Brazil	2.94	65	2.48	94	2.93	54	2.80	81	3.05	50	3.03	62	3.39	61
Dominican Republic	2.86	69	2.58	80	2.61	73	2.93	71	2.91	65	2.91	72	3.18	76
Jamaica	2.84	70	2.88	54	2.84	61	2.79	86	2.72	84	2.72	89	3.14	83
Peru	2.84	71	2.47	96	2.72	67	2.94	69	2.78	76	2.81	83	3.30	66
Venezuela, RB	2.81	76	2.39	109	2.61	74	2.94	68	2.76	77	2.92	70	3.18	74
Guatemala	2.80	77	2.75	63	2.54	88	2.87	76	2.68	87	2.68	93	3.24	68
Paraguay	2.78	78	2.49	90	2.46	97	2.83	79	2.76	78	2.89	74	3.22	70
Ecuador	2.71	86	2.49	92	2.50	94	2.79	83	2.61	97	2.67	95	3.18	77
Costa Rica	2.70	87	2.39	110	2.43	99	2.63	106	2.86	69	2.83	82	3.04	95
Uruguay	2.68	91	2.39	111	2.51	90	2.64	103	2.58	100	2.89	75	3.06	91
Nicaragua	2.65	95	2.66	72	2.20	130	2.69	98	2.58	98	2.58	104	3.17	79
Colombia	2.64	97	2.59	79	2.44	98	2.72	95	2.64	91	2.55	108	2.87	111
Honduras	2.61	103	2.70	67	2.24	124	2.79	85	2.47	112	2.61	101	2.79	121
Bolivia	2.48	121	2.40	108	2.17	133	2.35	135	2.68	88	2.68	94	2.60	141
Cuba	2.18	152	2.17	136	1.84	155	2.47	123	2.08	154	1.99	156	2.45	152

Source: World Bank 2014

As you can see, Chile occupies the post 42 as the most developed country in Latin America according to the items evaluated standing out with a rating of 3.26, for its part, Colombia is

located in the post 97 with a score of 2.64 where its main flaws are on-time delivery and traceability with a difference of 0.72 to 0.75 points respectively compared with Chile Despite having a strategic position and have ports in both oceans, the low score of Colombia is due largely to high costs of production, lack of infrastructure and poor management by the Government to improve this sector and promote international trade.(Andi, 2014)

As a result of the above, imports during the last three years have increased by 40.4%, passing in 2009 of USD 1.210,9 million to buy in 2011 USD 2.340,3 million, as shown in the graph.



4 Graphic. Colombian imports of textiles and clothing.

Source: Prepared by Legiscomex.com with information DIAN.

According to the above, between January and may, 2012 imports totaled USD 879,5 million. In 2011 the international sales of these products totaled US \$ 2.340,3 million and showed a growth of 47.8% in the year 2010 with a value of USD 1.583,2 million. This increase is largely

due to the Elimination of quotas that the world textile market was governed and clothing until 2004, with this free circulation products rocketed especially with fabrics and clothing from Asia which caused a drastic drop of prices in all countries. To the above, adds the fact that, in Colombia, the price of the dollar collapsed and this has encouraged the arrival of products overseas. This revaluation not only has made imports cheaper and profitable, but it had an impact on domestic costs of domestic companies on factors such as raw material, labor and energy affecting the competitiveness in the market. In addition, the decision of the Government of lower tariffs contributed to the increase of imports that was much-debated in the industry since it facilitated the entry of more competition and represented a serious threat to the national textile.

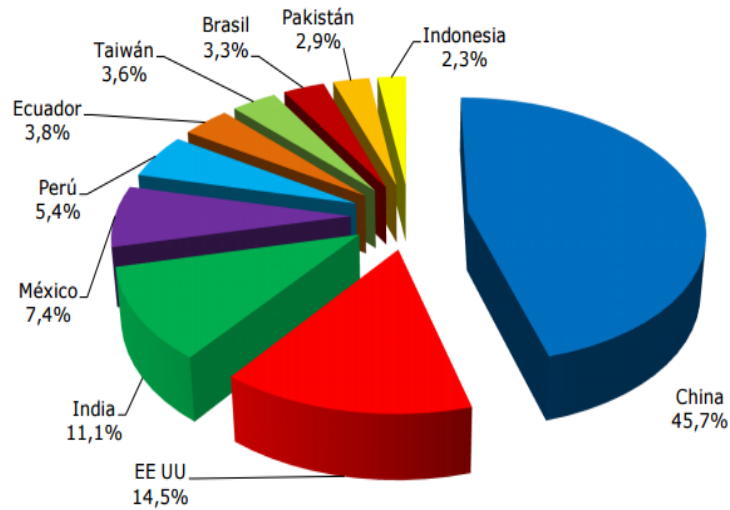
Likewise, as mentioned the high cost of energy, little road infrastructure and large amounts of money that companies must pay for transporting and exporting your goods make prices of domestic products higher than those imported, as explained in the magazine week:

The difference in cost is reflected in the prices. While a jean exported from Colombia can be worth between 10 and 12 dollars, a similar garment that arrives to the country from the Asian market has a price of \$5. A shirt produced in Colombia by 19,000 pesos becomes imported \$4 (about 7,200 pesos). A blanket made in the country coming to the market to 30,000 pesos, can be imported in 10,000 pesos. (Semana, 2013).

### **12.2.1 Major suppliers of textiles and clothing to Colombia.**

China for the year 2011, was the main supplier of textiles and apparel to Colombia by 37.4% equivalent to USD 876,2 million market. Later us with USD 278,9 million, India with \$ 211,9 million, Mexico with \$ 141. 7 million and Peru with \$ 103.9 million. These countries

concentrated 68.9% of the total imports in this sector. Thus the graph below it.(Legiscomex, 2011).



5 Graphic. Imports by countries in the textile sector.

Source: Prepared by Legiscomex.com with information DIAN.

In addition, during recent years imports from China have increased 7% and it has become the leading supplier of textiles to Colombia since it represents 50% of the total imported to United States.

1 Map. Suppliers of textiles for Colombia.



Source: (Quality Control Blog, 2014)

As you can see in the previous map, in the Asian territory is found approximately 40% of the main actors in the global market of textile manufacturing, followed by North America and Europe. China has 36% of the global market due to factors such as lower costs of labor, infrastructure, logistics and industrial production to large scale, flexibility, low prices, among others, allowing you to be more competitive in international markets.

### 12.2.2 Import companies

The National Cotton Corporation - Diagonal for 2011 was the largest import company in the sector to concentrate 6% of international purchases with USD 139,3 million; This private company was founded in 1997 and is located within the civic and social associations in Medellin, was formed by Coltejer, Tejicondor, Fabricato, Tejidunin, Fatelares and Sedeco, Tejidos de Occidente, Compañía de Hilados y Tejidos de Manizales y La Garanta e Industrias Textiles de Colombia de Cali; It generated \$1.16 billion in annual revenues, which is 6 times higher than the

normal average for associations and civic social in Colombia. This places it between 10% of the largest companies in the industry. (FindTheCompany, S.f).

The second company that most bought abroad was Manufacturas Eliot S.A. with \$ 115.3 million. It is an industrial and commercial company of textiles which is among the 100 largest companies in Colombia and is part of the most important textile of the country groups.

*Table 4*  
*Major importers of textiles and clothing 2011.*

No	NIT	Razón Social	Valor importado USD CIF	Participación
1	890901811	Corporación Distribuidora de Algodón Nacional	139.369.185	6,0%
2	860000452	Manufacturas Eliot S.A.	115.306.263	4,9%
3	900017447	Falabella de Colombia S.A.	64.302.365	2,7%
4	2913770	Calle Arturo	59.213.929	2,5%
5	860516806	Permoda S.A.	45.560.241	1,9%
6	900123408	Compañía de Inversiones Textiles de Moda Texmoda S.A.	44.411.410	1,9%
7	900268083	Sociedad de Comercialización Internacional Exporiente de Colombia S.A.	42.599.533	1,8%
8	800150223	Prímatela S.A.	37.705.769	1,6%
9	890900308	Textiles Fabricato Tejicondor S.A.	37.205.976	1,6%
10	860015753	Colombiana Kimberly Colpapel S A	34.032.965	1,5%
11	800147745	C.I. floral S.A.	32.044.238	1,4%
12	830083392	Productora de Textiles de Tocancipa S.A.	31.599.535	1,4%
13	805003626	Studio F International fashion corporation	30.052.891	1,3%
14	860052989	Sutex S.A.	29.803.978	1,3%
15	890100783	Industrias Cannon de Colombia S.A	28.697.459	1,2%
16	800169352	Mercadeo Y Moda S.A	27.103.091	1,2%
17	860525814	Textiles Miratex S.A.	26.170.091	1,1%
18	890900608	Almacenes Éxito S.A	25.982.471	1,1%
19	890900943	Colombiana de Comercio S.A. a Corbeta S.A. Y O Alkosto S.A.	24.129.499	1,0%
20	800000441	Vestimundo S.A. Vesa	23.754.095	1,0%
21	830112876	Invista Colombia S.A	23.294.862	1,0%
22	890204797	Comertex S.A. Uap	20.382.289	0,9%
23	815002042	Bonlam Andina Ltda.	19.879.010	0,8%
24	890301753	Sisa	19.185.658	0,8%
25	890920043	Tennis S.A.	18.952.608	0,8%
		<b>Subtotal</b>	<b>1.000.739.411</b>	<b>42,8%</b>
		Otros	1.339.578.123	57,2%
		<b>Total Importaciones</b>	<b>2.340.317.534</b>	<b>100%</b>

Fuente: Elaborado por Legiscomex.com con información del DIAN

Source: Prepared by Legiscomex.com with information DIAN.

Likewise, in 2014 was recorded a variation on the positions of the companies as shown in table N ° 5:

Table 5  
DIAN companies position.

Consecutivo	NIT	Razón social importador	Valor CIF dólares	Principales subpartidas importadas				
				Primera	Segunda	Tercera	Cuarta	Quinta
47	900017447	FALABELLA DE COLOMBIA S A	192.566.055	8471300000	8471410000	8517120000	6205200000	6204620000
77	860000452	MANUFACTURAS ELIOT S.A.S.	114.255.321	5205230000	5402440010	5402330000	5509530000	5205130000
93	860015753	COLOMBIANA KIMBERLY COLPAPEL S.A.	99.049.958	4703210000	3906902100	5603129000	5603110000	9619009010
133	900342297	COMERCIALIZADORA ARTURO CALLES S.A.S	71.401.620	6105100000	5208490000	5112111000	4202121000	6203421000
135	900123408	COMPANIA DE INVERSIONES TEXTILES DE MODA S.A.S. - TEXMODA S.	71.162.771	6206400000	6204620000	6205200000	6203429000	6109100000
204	890901811	CORPORACION DISTRIBUIDORA DE ALGODON NACIONAL	50.641.771	5201003000	5503200091	5205220000	5205230000	
206	890901672	CRYSTAL S . A . S	50.309.256	6109100000	6203429000	6206300000	6204620000	6205200000
207	817000808	TECNOSUR S.A.	50.134.490	3906902100	4703210000	5603920000	5603110000	5603129000
217	860516806	PERMODA LTDA	47.817.505	6205200000	5209420000	6203429000	6201930000	6204620000
226	817000680	FAMILIA DEL PACIFICO S . A . S	44.828.322	4703210000	3906902100	5603129000	3901901000	3901100000
234	890932279	C.I. IBLU SOCIEDAD POR ACCIONES SIMPLIFICADA	42.642.587	6109909000	6404190000	3924109000	6206400000	6204620000
241	830083392	PRODUCTORA DE TEXTILES DE TOCANCIPA S A TOPTEX S A	41.150.053	6004100000	5205230000	5509530000	5211420000	5205240000
298	860002067	PROQUINALS A	32.630.484	5402330000	3904101000	4811519000	2917330000	3918101000
318	805005383	COMERCIALIZADORA R. DORON S.A.S.	30.795.566	6305332000	3901100000	3901901000	5407200000	3901200000
343	815002042	PGI COLOMBIA LTDA	27.967.211	5603110000	5603129000	5503200010	3902100000	5505100000
353	860001963	PROTELA S A	27.289.944	5402450000	5205120000	5402310000	5205230000	5402470000
361	890100783	INDUSTRIAS CANNON DE COLOMBIA S.A	26.834.099	5205120000	8451409000	5205320000	5205220000	5205420000
408	830112876	INVISTA COLOMBIA S.A	23.158.963	5402440010	5402450000	5402310000	5402470000	3923509000
412	900054711	INVERSIONES PLAS S . A .	22.640.290	6209200000	6111200000	6204620000	6109100000	6204420000

Source: DIAN - SGAO, Coordination of economic studies. 2014 directory imports.

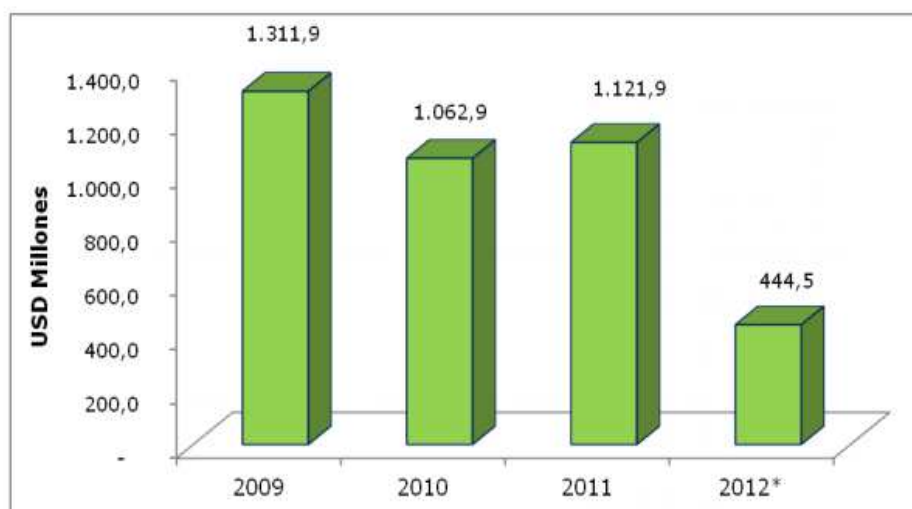
It is clear that the company with higher imports by 2014 was Falabella De Colombia S.A with a total of USD 192.566.055, which included within its main products purchased those who belong to the nomenclature 62.05.20.00.00 corresponding to garments, clothing accessories and Mens / boys cotton shirts; and falling within the heading 62.04.62.00.00 comprising long, bib, short pants and shorts all made in cotton for women or girls.

Additionally, in second place is manufacturing Eliot S.A with imports by total value of USD 114.255.321 where its main imported product was the understood in the heading 52.05.23.00.00 corresponding to single yarn, of combed fibres of title but less than 232,56 decitex or more than

192,31 decitex; the second most imported tariff heading was 54.02.44.00.10 comprising single yarn of polyurethane untwisted or with a twist not exceeding 50 turns per metre; and thirdly is the 54.02.33.00.00 which includes the textured yarn of polyesters.

### 12.2.3 Exports of Textiles and clothing in Colombia

Unlike imports, Colombian exports of textiles and clothing from the year 2010 began to decrease due to factors limiting the competitiveness of domestic companies overseas including the increase in the entry of foreign products to the country, smuggling and the little use of free trade agreements.



6 Graphic. Exports of textiles and clothing Colombia.

Source: Prepared by Legiscomex.com with information DIAN

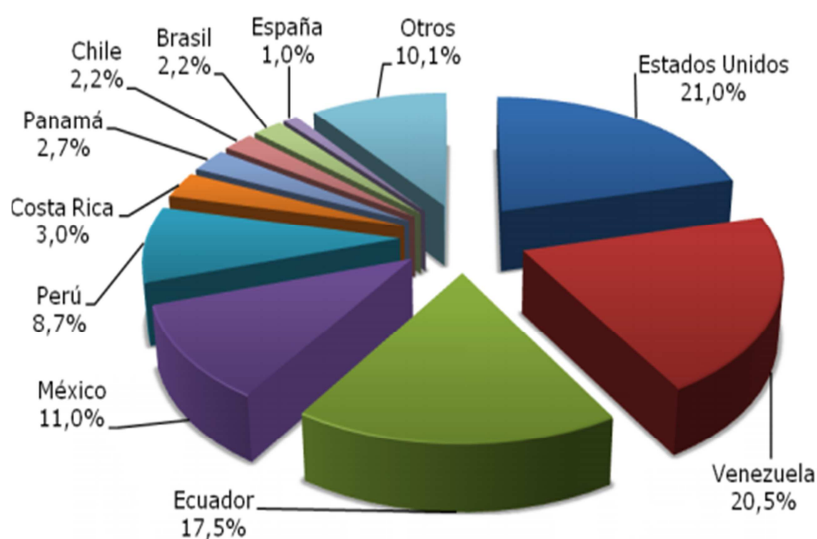
According to the previous graph, between January and may this year Colombian exports from this industry were \$ 444.5 million; in 2011 the number of international sales made amounted to



us \$ 1,121 million representing an increase of approximately 6% in comparison to the 2010. (Legiscomex, 2011).

#### 12.2.4 Main clients of Colombia in the world

This year, the main destination of Colombian exports of textiles and clothing was United States concentrating 21% following in your order Venezuela with 20.5%, Ecuador with 17.5%, Mexico 11% and Peru 8.7% as shown in the following graphic. (Legiscomex, 2011).



7. Graphic. Countries destination of Colombian exports of textiles and clothing 2011.

Source: Prepared by Legiscomex.com with information DANE.

According to the above, the main Colombian export products to the United States were artificial and synthetic fibers, cotton, garments, silks and wool by adding a total of 4.01 billion square meter equivalents. (Legiscomex, 2011).

### **12.2.5 Major exporting companies.**

It can be said that the main company that exported products of the textile industry was Enka de Colombia, company producer and trader of raw materials for industry, the main exported products are included in the tariff heading 39.07.60.90.00 corresponding to politereftalatos of ethylene; the second most important heading with which exported their product was the 59.02.10.90.00 which includes the fabrics impregnated, coated, covered or laminated, technical textile articles, tire cord fabric for tyre made of high tenacity yarn of nylon or polyamides, polyester or rayon viscose; and thirdly is the starting number 54.02.19.90.00 man-made filaments, strips and similar forms of textile synthetic or artificial, not put up for sale-synthetic filament yarn to the retail, including synthetic Monofilament of less than 67 decitex, the high tenacity yarn of nylon or polyamides. (DIAN, S.f).

In addition to this, the marketing CI Jeans (S.f) is seen as the second most exporting company of textile products in 2014. This is a company engaged in export of high quality garments that offers its clients a package full of services such as cutting, designs, manufacturing, product development, washing, embroidery, finishing and packing; its main exported products include those in the tariff heading 62.03.42.10.00 corresponding long, short, pants with breastplate, shorts for Mens and boys made in cotton tissues called denim; second is the tariff heading number 62.04.62.00.00 which includes long, short, pants with breastplate and Womens / girls shorts made in cotton.

Table 6  
Exporting companies.


 UAE - DIAN - SGAO. Coordinación de Estudios Económicos  
 Directorio de exportadores año 2014

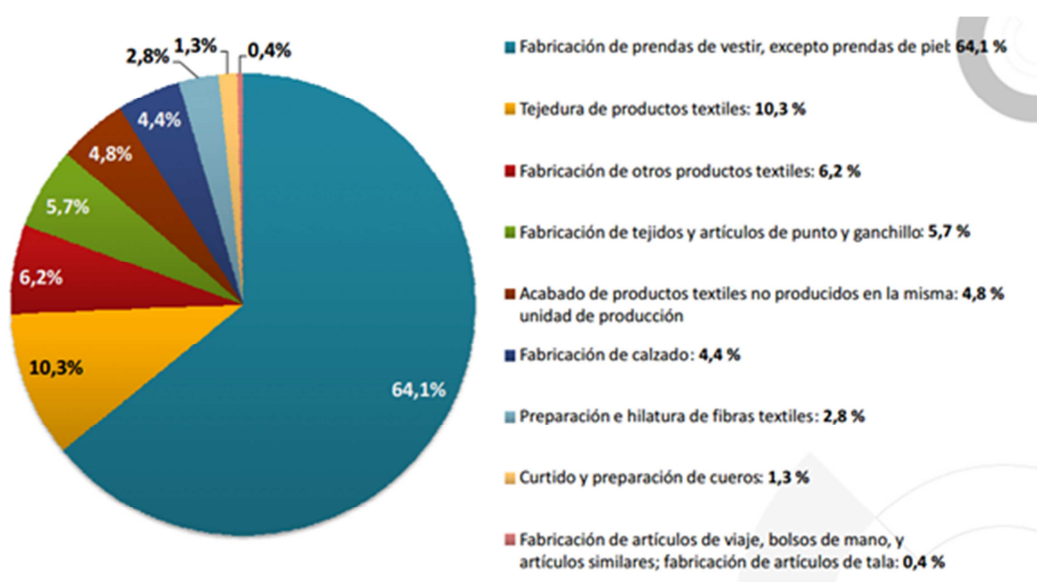
Consecutivo	NIT*	Razón social exportador	Valor FOB dólares	Peso neto kilos	Principales subpartidas exportadas				
					Primera	Segunda	Tercera	Cuarta	Quinta
73	890903474	ENKA DE COLOMBIA S.A.	79.446.153	28.810.779	3907609000	5902109000	5402199000	5902101000	5503200099
94	800206584	COMERCIALIZADORA INTERNACIONAL JEANS S.	57.324.105	2.763.163	6203421000	6204620000	6201920000	6202920000	6203429000
97	811044814	SOCIEDAD DE COMERCIALIZACION INTERNACIONAL LEONISA S	53.904.000	755.540	6212100000	6212200000	6108220000	6112410000	6108210000
109	860000452	MANUFACTURAS ELIOT S.A.S.	49.263.982	4.321.200	6004100000	6006320000	6006340000	6006330000	6107110000
114	890100783	INDUSTRIAS CANNON DE COLOMBIA S.A.	46.973.791	5.981.466	6302600000	5802190000	6302220000	6302310000	8445900000
163	800130149	SUPERTEX S.A.	27.277.158	413.699	6110309000	6109909000	6104630000	6101300000	6112410000
164	805003626	STF GROUP S.A.	27.101.870	485.499	6204620000	6206400000	6211430000	6204690000	6106200000
166	890901672	CRYSTAL S. A. S	25.883.084	804.572	6115950000	6109100000	6115960000	6109909000	6108220000
189	890900308	FABRICATO S.A.	21.700.910	4.151.770	8446300000	5211420000	5209420000	5209320000	6006320000
225	860524750	C.I. DULCES LA AMERICANA S.A.	16.397.281	8.722.612	1704901000	3302900000	1704101000	6109100000	4823909000
235	860001963	PROTELA S A	15.635.815	1.138.554	6004100000	5804210000	5811000000	6006240000	5804100000
293	900060476	ENCAJES S.A.COLOMBIA	11.727.689	309.187	5804210000	7326909000	6005320000	6302530000	8447202000
302	860001777	INDUSTRIAS INCA S.A.	11.065.920	667.031	6114300000	3303000000	7117190000	6204620000	6106200000
304	890900259	COLTEJER S.A.	10.949.690	1.935.877	5209420000	5209320000	5211420000	5209220000	5211590000
316	800227956	COMERCIALIZADORA INTERNACIONAL EL GLOBO S.A.S.	10.379.548	370.473	6109909000	6203429000	6204620000	6204630000	6109100000
322	800106884	DUGOTEX S. A.	10.170.999	254.837	6107110000	6108210000	6212900000	6212100000	6212200000
328	830138799	VITAL JEANS S A S	9.862.340	2.574.566	9404900000	6302101000	6302320000	6203429000	6302310000
344	890900286	DEPARTAMENTO DE ANTIOQUIA	9.369.293	4.111.590	2208701000	2208400000	6211499000	6505009000	6109100000
351	900310573	CI MANUFACTURAS MODEL INTERNACIONAL S.A	9.148.784	324.389	4015909000	6212200000	6212900000	6212300000	6212100000

Source: DIAN - SGAO, Coordination of economic studies

It should be noted that the company Manufactures Eliot S.A, is among the top 5 companies that exported and its main sales are knitted fabrics containing yarn elastomeric exceeding 5% by weight, no rubber threads covered by tariff heading 60.04.10.00.00. It is important to mention that the CIF value of imports was \$ 114.255.321 while its exports had a value of USD 49.263.982 FOB, which means a 57% difference between both values.

### 12.3 Development of the internationalization of the textile Sector in Medellín

On the other hand, the development of textile and clothing activities are present throughout the national territory where Colombian cities like Medellín stand with a share of 64.4%, Bogotá, Cali 3.2%, Risaralda 3.0% Atlantic 2.8%, 1.3% Caldas and the rest of the country 4.0% (Cámara de Comercio de Medellín, 2013).

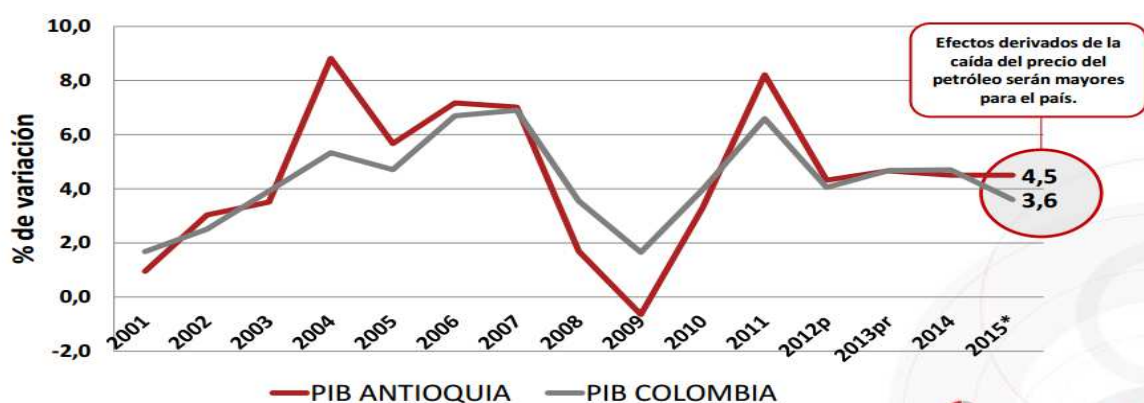


8 Graphic. Participation of the region in textiles and clothing.

Source: DANE. Annual Manufacturing Survey.

In this respect, Antioquia brings an added value to the sector being the manufacture of clothing except the skin, the greater involvement at the national level with a 64.1%, followed by the tejedurías of textile products with 10.3%, manufacture of other textile products with 6.2%.

Meanwhile, in Medellin there are important companies characterized by its antiquity (Vega Juan, Guevara, Henandez, Piedrahita, & Rivera, 2012) like Leonisa, Coltejer and Fabricato, dedicated to the production of clothes, fabric and threads offered both to the domestic market as international and that contribute significantly to the Antioquia GDP.



9 Graphic. Variation of the GDP of Colombia and Antioquia.

Source: DANE, Departmental Accounts 2013, base 2005

In the previous graphic, there is evidence of the variation of the GDP of Colombia and Antioquia during the last 15 years is also observed that by the year 2015 in the Department remained stable by factors such as industry consolidation, favorable exchange rate for exports, good consumption performance, recovery of markets such as the United States and Mexico, and public investment made by the Government during this period. Similarly, unfavorable aspects due to the low growth of trading partners such as Argentina, Brazil, Chile, and Venezuela and uncertainty in the domestic market by the oil price and tax reform were presented. (Cámara de Comercio de Medellín, 2014)

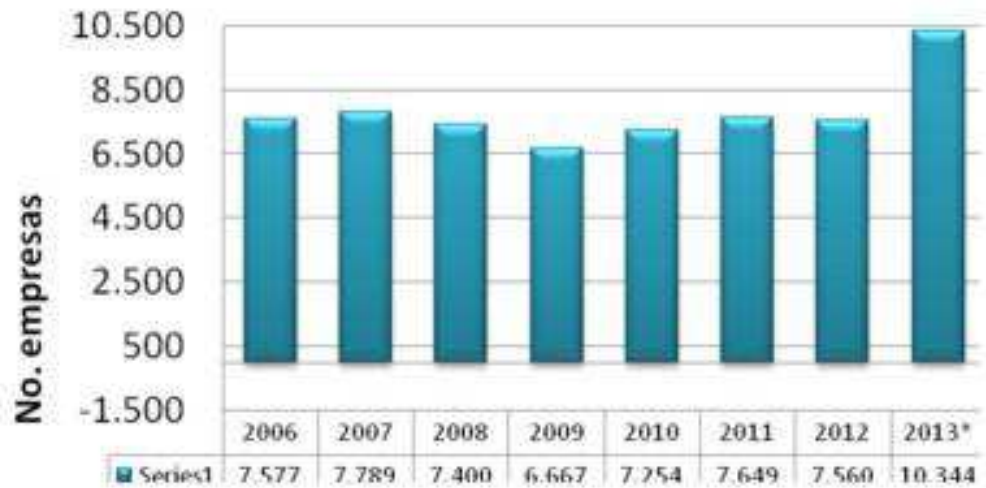
Based on the report presented by the Chamber of Commerce of Medellín in the year 2013, existed legally constituted 12.928 companies engaged in activities of the textile and clothing industry in the Department of Antioquia, of which 11.802 were micro, 820 small businesses, 227 medium-sized enterprises and 79 large companies as shown in the following table. (Camara de Comercio de Medellín, 2013).

Table 7  
Business structure

Tamaños*	Cluster					
	Energía Eléctrica	Construcción	Textil/Confección, Diseño y Moda	Servicios de Medicina y Odontología	Turismo de Negocios, Ferias y Convenciones	Tecnología, Información y Comunicación
Microempresa	1.304	8.906	11.802	1.888	8.629	3.485
Pequeña empresa	234	1.773	820	274	246	235
Mediana empresa	74	627	227	79	45	39
Gran empresa	29	169	79	33	8	29
<b>Total empresas</b>	<b>1.641</b>	<b>11.475</b>	<b>12.928</b>	<b>2.274</b>	<b>8.928</b>	<b>3.788</b>

Source: Chamber of Commerce of Medellín

Indeed, according to figures from the Chamber of Commerce of companies engaged in these activities 10.344 totals are located in the city of Medellín, where the 87.1% are micro, 10% are small, 2.3% are medium-sized, and 0.7% are large. In the graphic N ° 10, you can see a significant increase in the number of companies incorporated for the 2013 where were 2,784 more over the previous year due to the economic performance of the city, the constant need for subsistence and self-employment represented the amount of existing micro-enterprises.



10 Graphic. Companies in Medellín.

Source: Chamber of Commerce of Medellín

While it is true that big corporations contribute to the growth of the economy of the country, in recent years small and medium-sized enterprises have been positioning itself in such a way that are considered the basis of the exporter and economic future of the textile sector.

According to an article published for the Mundo magazine, SMEs are the export base of Antioquia, and according to Proexport 381 companies located in this Department have a great potential exporter of goods and services, of which 143 are focused on the textile and clothing being is the highest representation of exports currently. During the past 10 years PYMES have contributed large percentage of exports of Antioquia going from 10% to 25% of total exports. (Garcés, 2014).

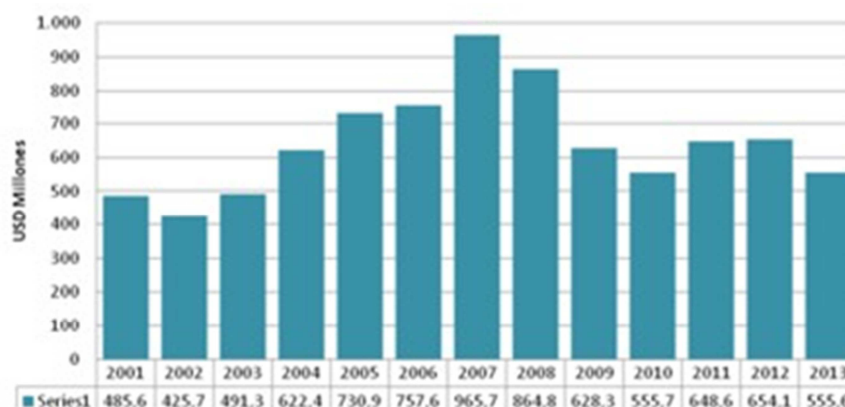
The report presented by the Chamber of Commerce of Medellín shows how you have been consolidating SMEs on economic growth, since 90% of them act as legal persons and 10% as

individuals by allowing greater access to formal financing, stability and permanence in the markets. (Cámara de Comercio de Medellín, 2013)

### 12.3.1 Exports Medellin

As mentioned above, in Medellin have increased the number of activities belonging to the textile and clothing companies given that the city is attractive to business and that this industry is highly competitive in the region with a significant stake in the growth of the economy through sales abroad (Procolombia, S.f).

According to the Chamber of Commerce of Medellín in 2013, exports of the companies belonging to this sector came to \$ 555 million, thus reducing the value at 12% of the amount exported compared to the previous year as shown in the following graphic (Camara de Comercio de Medellin, 2013).

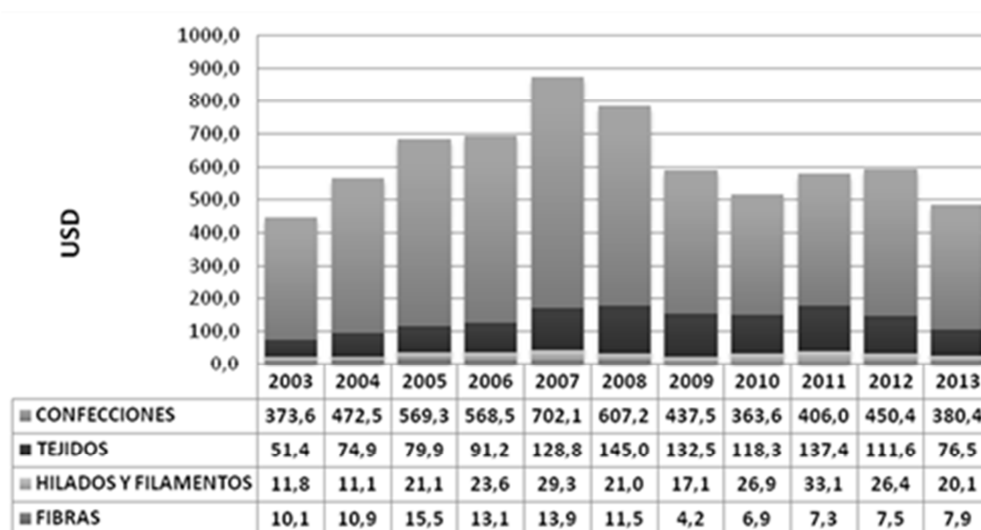


11 Graphic. Exports Medellin 2013

Source: DANE. Calculations: Economic Research Unit - Chamber of Commerce of Medellín for Antioquia.



Antioquia for this year had a 59.5% share of exports from Colombia, sending to countries like United States, Venezuela, Ecuador, Brazil, Mexico, Chile, Costa Rica and Peru products for men and children standing out the Shorts, jackets, pants and suits as the more commercialized in other countries on the issue of clothing.



12. Graphic. Exports by the textile and clothing sector activities.

Source: DANE. Calculations: Economic Research Unit - Chamber of Commerce of Medellin for Antioquia.

According to the above graph, clothing in recent years have excelled in exports of Antioquia, followed by fabrics, yarns, filaments and finally the fibers, making the industry a sector of vital importance for the economy of the region; However it is visible that this year the first three activities decreased the value exported unlike fibers who increased by 0.05% its sales abroad.

Similarly, by 2014, the sector continued to decline representing a variation of - 11.5% in terms of clothing and of - 11.9% for textiles the year 2013 due to international legal and illegal competition, smuggling, slow technological development facing the sector for some years, its

imports of textiles and clothing by the revaluation of the currency and the limited capacity and the impact generated by the growth of the developed countries they have businesses to realize the opportunities that can bring the Free Trade Agreement (Camara de Comercio de Medellin, 2013).

*Table 8*  
*Exports of textiles and clothing in Antioquia.*

	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>Var. 2014/2013</b>
Confecciones	133.222.853	122.290.857	108.223.993	-11,5%
Materias textiles	48.585.739	35.462.527	31.232.242	-11,9%
<b>Total expo Textil/Confección</b>	<b>181.808.592</b>	<b>157.753.384</b>	<b>139.456.235</b>	<b>-11,6%</b>

Source: Chamber of Commerce.

Despite the above and the figures recorded in the table no. 8, in 2014 created 52 new companies legally constituted, in addition the number of liquidated companies shrank from 231 companies in 2013 to 209 in this year.

It should be noted that, according to Carlos Eduardo Botero Inexmoda President the year 2015 would come with positive expectations for the sector and it said Protela President Cesar Maldonado, the devaluation would be a factor favourable to exports.

Table 9  
Export stats - sectors

Año	2012	2013	2014	2015	Total
Piedras preciosas	US 3.659.903.405,23	US 2.468.313.182,81	US 1.808.965.467,51	US 849.760.301,59	US 8.786.942.357,14
Plastico y caucho	US 1.312.342.728,94	US 1.347.836.605,08	US 1.366.933.595,09	US 806.846.062,37	US 4.833.958.991,48
Quimico	US 1.594.328.301,09	US 1.828.861.328,91	US 1.761.279.903,94	US 1.117.509.811,86	US 6.301.979.345,80
Textiles y confecciones	US 1.117.591.974,22	US 967.981.557,03	US 858.074.079,41	US 519.999.307,34	US 3.463.646.918,00
Vehiculos y otros medios de transporte	US 531.229.234,87	US 846.083.928,20	US 537.147.814,89	US 329.482.979,24	US 2.243.943.957,20
Paginas: 1 2 3 4					
<b>Total</b>	<b>US 60.125.165.917,93</b>	<b>US 58.823.661.107,12</b>	<b>US 54.795.323.732,75</b>	<b>US 25.096.128.450,14</b>	<b>US 198.840.279.207,94</b>

Source:Procolombia

However, for the 2015 August numbers did not show a different picture to that has been living the sector over the past years, despite the data generated in 2014 where business growth statistics showed exports have not offset the aforementioned obstacles that limit their competitiveness on the market.

### 12.3.2 Use of the Free Trade Agreement

While it is true, free trade agreements can boost and be great cooperation for the industry, however generate a challenge of competitiveness. According to Juan Manuel Santos presidente de la República de Colombia since the entry into force of the Free trade agreements 1,600 companies began exporting, 251 of them are makers, also said that imports from the United

States are mostly raw materials needed for the production of the final product and of which 80% is not produced in Colombia.

According to the above, the growth of businesses dedicated to textile activities has increased in the local trade, however, exports continue to decline in Medellin with respect to the year 2014. According to the monthly report released by Inexmoda the shopping for clothing in the Antioquia capital to 2015 may totaled approximately 1.33 billion pesos with a monthly growth of 8.56%, registering higher than Bogotá expenditure in textiles. This initiative has encouraged local sales generating 30.5% of industrial employment in the Department and in the metropolitan area at least 110,000 jobs. While the results of Antioch nationwide are positive, advances with respect to exports are not, because they have decreased year after year and for this reason Mr Ricardo Vallejo emphasizes the importance of attracting new customers to encourage sales abroad, initiative that took place in 2014 Colombiamoda where 633 foreign buyers participated and allowed close deals for \$ 43 million in one year.

On the other hand in recent year's purchases from countries as Costa Rica, Italy and Brazil increased the participation of the textile trade in Antioquia; however countries such as United States, Mexico, Venezuela, Peru and Ecuador decreased purchases due to factors which include the application of restrictive quotas on imports. (Mercado, 2015)

However, Colombia is a major supplier of textiles and apparel to Mexico, Peru and Chile, as the country offer is adjusted with the demand and trade relations that have been strengthened with the Pacific Alliance; with Chile there isn't any restriction to income from textile products

but it is necessary that compliance with rules of origin and designs that adapt to the tastes and market trends related to climate station that arises at the time. (Marulanda, 2014)

On the other hand, Mexico is the fourth destination of Colombian exports of garments and where they have identified significant opportunities for businesses such as textiles and supplies, bath, casual wear, sportswear, including dresses. For its part, Peru is the fifth country to which Colombia exports garments and where various demands of products such as swimwear, supplies and textiles have been found, as in Chile the collections must also adapt to the climatic season and be offered at low prices. (Procolombia, 2014)

### **12.3.3 Leonisa case**

Previously, it was mentioned that Medellin is one of the cities with the largest number of companies engaged in the activities of textiles and clothing; one of these companies is the society of international marketing Leonisa S.A., which is dedicated to the production and marketing of intimate apparel, biodeladoras and lingerie, the company for the year 2014 is first place in the list of exporters in this sector in the city with a value in sales abroad of USD 53.904.000.

Table 10  
Exporting companies in Medellin



UAE - DIAN - SGAO. Coordinación de Estudios Económicos  
Directorio de exportadores año 2014

Consecutivo	NIT*	Razón social exportador	Valor FOB dólares	Peso neto kilos	Número de declaraciones	Principales subpartidas exportadas					PLANTA
						Primera	Segunda	Tercera	Cuarta	Quinta	
97	811044814	SOCIEDAD DE COMERCIALIZACION INTERNACIONAL LEONISA S	53.904.000	755.540	11.605	6212100000	6212200000	6108220000	6112410000	6108210000	MEDELLIN
163	800130149	SUPERTEX S.A.	27.277.158	413.699	1.488	6110309000	6109909000	6104630000	6101300000	6112410000	MEDELLIN
316	800227956	COMERCIALIZADORA INTERNACIONAL EL GLOBO S.A.S.	10.379.548	370.473	427	6109909000	6203429000	6204620000	6204630000	6109100000	MEDELLIN
322	800106884	DUGOTEX S. A.	10.170.999	254.837	2.623	6107110000	6108210000	6212900000	6212100000	6212200000	MEDELLIN
581	890924167	C.I HERMECO S.A	4.196.263	72.769	1.102	6203429000	6109100000	6204620000	6111200000	6205200000	MEDELLIN
648	800080027	EXPOFARO S. A. S.	3.619.617	75.043	168	6203421000	6204620000	6205200000	6206300000	6201120000	MEDELLIN
699	811014191	NAFTALINA S.A.S.	3.142.908	30.965	951	6204620000	6206400000	6204690000	6202920000	6110209000	MEDELLIN
991	811028375	FIORY S.A	1.669.888	33.776	546	6106200000	6114300000	6110309000	6104430000	6204620000	MEDELLIN
1232	811003060	SCHONTHAL C.I. S.A.S.	1.083.712	35.463	62	6203421000	6204620000	6105100000	6106100000	5401109000	MEDELLIN
1412	800021711	COLECCIONES BASICAS S.A.	825.512	11.607	89	6206400000	6106200000	6109909000	6204620000	6104430000	MEDELLIN

Source: DIAN

With respect to the above information, it should be noted that the main products exported by Leonisa S.A. company fall within tariff items 62.12.10.00.00 and 62.12.20.00.00 that correspond to garments and clothing accessories except point, bras, girdles, corsets, suspenders, leagues and similar with their parts even point articles.

In addition, the Leonisa company has been representative for the sector and recognized for the quality and variety of its products, has three production plants located in Colombia and Costa

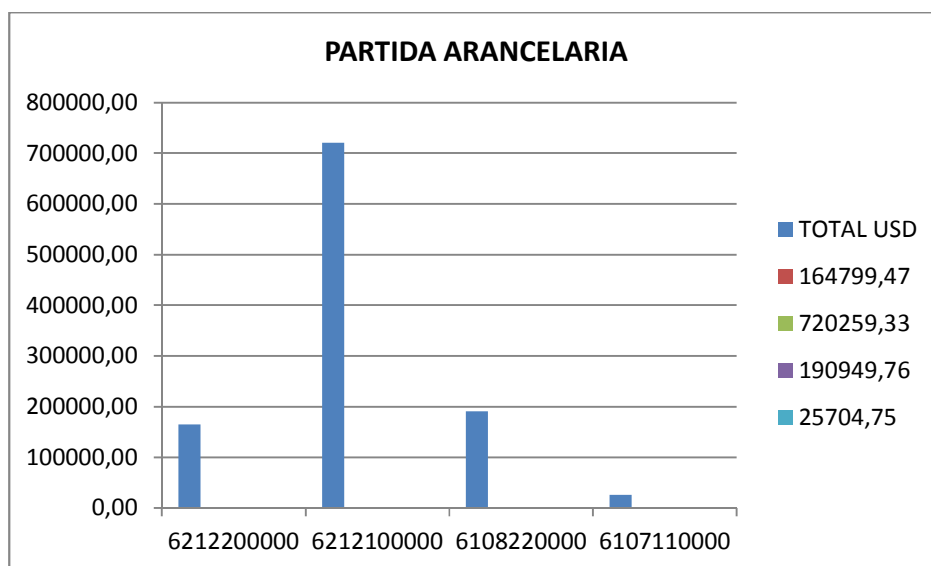
Rica, also has a presence in Chile, Ecuador, Spain, United States, Guatemala, Mexico, Peru and Puerto Rico. The company exports were discriminated in the following manner in different countries:

*Table 11*  
*Leonisa 2014 exports.*

<b>País de Destino</b>	<b>Valor FOB USD</b>
Chile	USD 403.531,29
Costa Rica	USD 200.758,81
Ecuador	USD 135.354,49
España	USD 137.807,38
EE.UU.	USD 33.703,61
Guatemala	USD 3.731,99
México	USD 125.315,01
Nicaragua	USD 12.419,20
Panamá	USD 45.813,52
Perú	USD 652.059,88
Puerto Rico	USD 75.232,51

Source: self made

According to this, the main buyer of the Leonisa Company is Peru representing 36% of purchases, followed by Chile with 22%, Costa Rica 11%, Spain 8%, Ecuador 7%, Puerto Rico 4%, USA and Panama with 2%, Nicaragua 1% and the last Guatemala with less of 1%.



13. Graphic. Value USD by tariff heading

Source: self made

In this way, evidenced Leonisa with its permanent innovation achieved a significant growth in the market carrying its brand to different places in the world, this year the best selling products to its major customers Chile, Peru and Costa Rica were falling in the heading 62.12.10.00.00 bras and their parts, even of point. Syscomer fecha de consulta 28/04/16

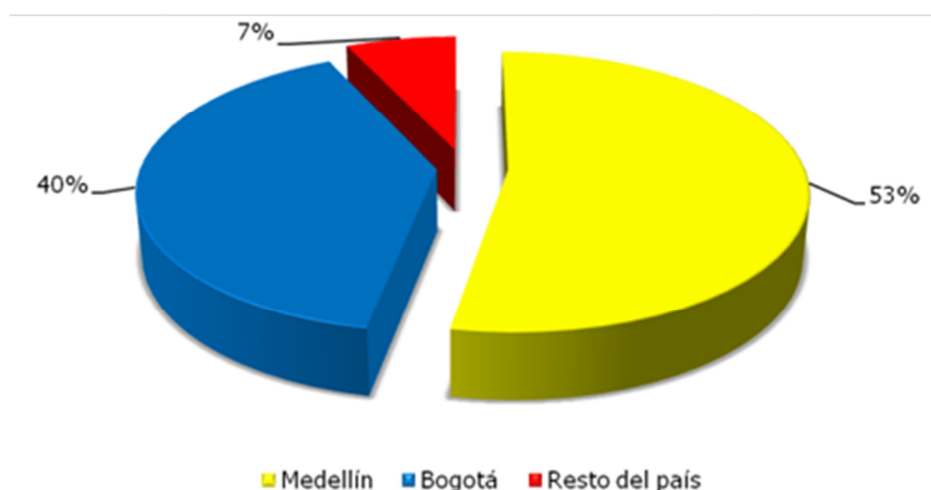
In conclusion, Medellin has a high participation in activities of the textile and clothing with a 64.4%, there are important companies dedicated to the production of clothes, yarns and fabrics like Coltejer, Fabricato and Leonisa characterised by its antiquity and the economical and historical contribution provided to the city, in addition to 10.344 companies legally incorporated for the year 2013 where the majority are PYMES which have been positioned as the exporter and economic future of the Department .



However, the sector textile and clothing in the city during the last years has had a deficit in the internationalization of the industry due to the lack of competitiveness compared to developed countries, the little use of the Free Trade Agreement, the decline of trading partners, smuggling and slow technological development. Despite this, the scene at the local level is favorable, domestic sales have increased generating a monthly growth of 8.56% and at least 110,000 jobs in the capital of Antioquia.

#### 12.4 Comparison and analysis between the textile Sector of Bogota and Medellin

As mentioned above, the textile sector in Colombia is the second most important in relation to economic development and industry of the country and in order to improve the competitiveness and productivity of the industry, the textile cluster was created in the cities of Medellin and Bogota, the first with the most important and greater participation at national level.



14. Graphic. Geographical distribution of textile and clothing in Colombia - 2011.

Source: Prepared by Legiscomex.com with information Inexmoda.

Based on the above graphic, Medellin covers most of the textile sector with 53% followed by Bogotá with 40% and the remaining 7% corresponds in large part to the participation of cities like Cali, Manizales, Pereira, Ibagué, Bucaramanga and Barranquilla.

Consequently, it is important to highlight the importance of the textile industry that is concentrated in Bogotá and the textile cluster that was developed there, with the purpose of modernizing, centralize and organize the communication of the sector through strategies that allow to maintain the positioning of Colombian fashion both nationally and internationally. Bogotá clothing cluster aims to integrate the productive chain and strengthen each of its links to offer products of high quality in production and design; its Executive Committee is composed of representatives of important companies as CI Dugotex, Manufacturas Eliot, Hilanderías Fontibón, Hilanderías Bogotá, among others and they have the support of institutions like Andi, Proexport, Bancoldex, among others.

Noteworthy is that according to figures from the commercial register of the Chamber of Commerce of Bogotá, in the year 2012 had 10,800 companies belonging to the textile business and apparel, of which 2,500 were engaged in marketing and 8,300 manufacturing, adding 26% of the total number of companies established in the city between the two. In the following graphic, you can see the percentage of participation that these companies contribute to the gross production of the country apparel. (Unipymes, 2013)



15. Graphic. Distribution gross production clothing Colombia

Source: DANE Prepare Inexmoda National Economic Observatory Fashion System.

Seen back to Bogotá, occupies the second place with the 34.6% under Medellín which had a share of 42.5% of the gross output of the clothing of the country showing a difference of 7.9% between the two cities.

Regarding exports, Bogotá had a share of 26.5% equivalent to USD 296.954.951 ranking in second place below Medellín which had a share of 52% equivalent to USD 583.717.888.

Table 12  
Export Department

No.	Departamento	Valor USD FOB	Participación
1	Antioquia	583.717.888	52%
2	Bogotá, D.C.	296.954.951	26,5%
3	Valle Del Cauca	73.984.523	6,6%
4	Atlántico	63.033.777	5,6%
5	Risaralda	34.319.642	3,1%
6	Norte de Santander	28.686.443	2,6%
7	Santander	15.944.932	1,4%
8	Cundinamarca	11.486.850	1,0%
9	Quindío	6.648.922	0,6%
10	Caldas	3.626.595	0,3%
	<b>Subtotal</b>	<b>1.118.404.523</b>	<b>99,7%</b>

Source: <http://www.legiscomex.com>

Based on the above graph, it is important to mention that the main products exported by Antioquia are indoor, outdoor clothing and jeans while Bogotá mainly sells indoor and outdoor clothing.(Cámara de Comercio de Bogotá, S.f)

Regarding imports of the year 2011, Bogotá was the city that I most import products from textiles and clothing with a 43.9% stake equivalent to USD 1.028.061.273 followed by Antioquia that had a share of 29.1% equivalent to USD 681.755.

Table 13  
Imports of textiles and clothing by Department.

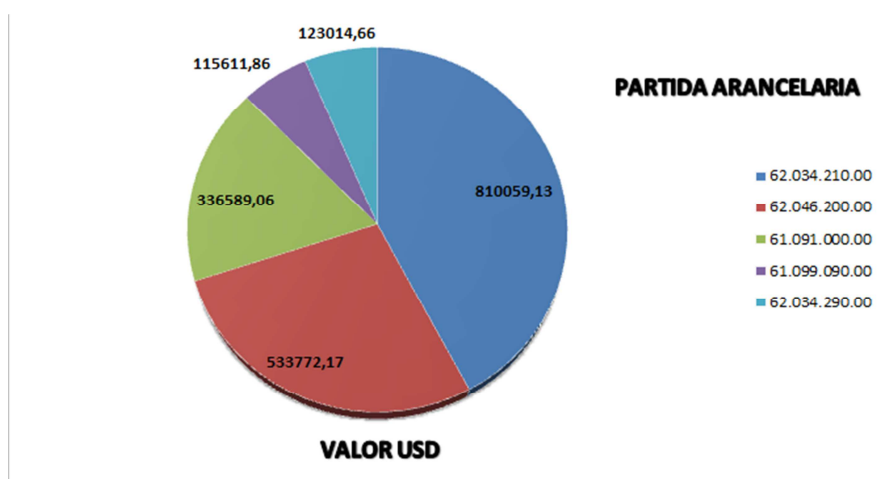
No.	Departamento	Valor importado USD CIF	Participación
1	Bogotá, D.C.	1.028.061.273	43,9%
2	Antioquia	681.755.954	29,1%
3	Valle Del Cauca	191.342.577	8,2%
4	Cundinamarca	143.718.422	6,1%
5	Atlántico	110.511.491	4,7%
6	Cauca	42.492.674	1,8%
7	Nariño	41.315.454	1,8%
8	Risaralda	32.878.075	1,4%
9	Santander	29.802.574	1,3%
10	Caldas	13.614.197	0,6%
	<b>Subtotal</b>	<b>2.315.492.691</b>	<b>98,9%</b>
	Otros	24.824.843	1,1%
	<b>Total</b>	<b>2.340.317.534</b>	<b>100,0%</b>

Source: <http://www.legiscomex.com>

Based on the table above, it can be said that there is a difference of 14.8% between imports of Bogota and Antioquia. Among the main products imported are content in the tariff heading 52.01.00.30.00 corresponding to cotton not carded or combed top to 22.22 fiber length mm, but less than or equal to 28.57 mm and those expressed in the heading 52.09.42.00.00 corresponding to woven fabrics of cotton containing less than 85% by weight with yarns of different colours as denim fabrics. the third item that most was imported was 52.11.42.00.00 which includes fabrics of cotton, containing less than 85% by weight mixed solely or mainly with synthetic or artificial fibres, of a weight exceeding 200 g/m<sup>2</sup> with yarns of different colours as denim fabrics. (DIAN, S.f)

## 12.5 Analysis Permoda

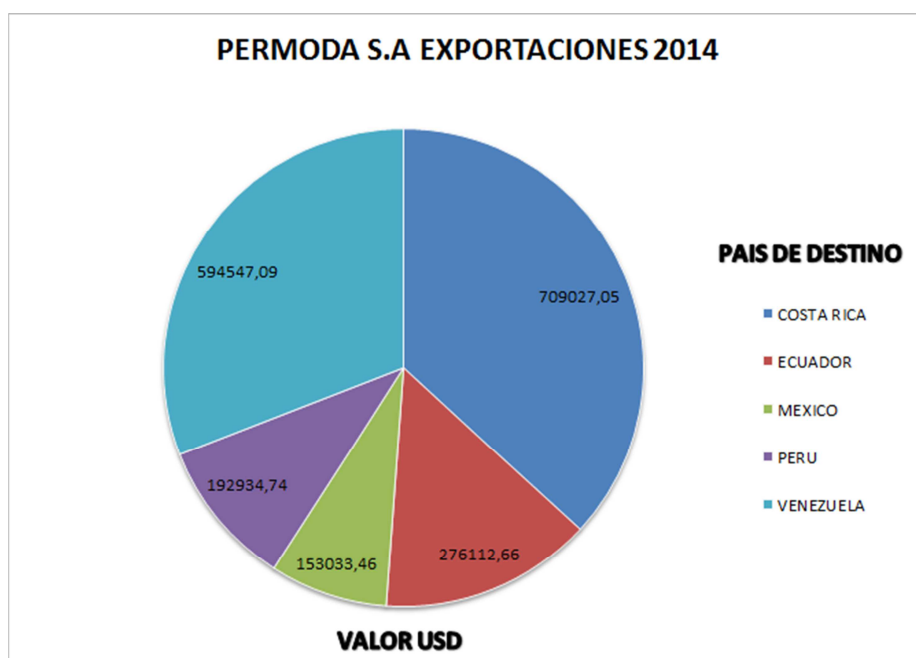
Among the main exporters in Bogota is Permoda S.A company, comprising brands like Armi, B \* kul and Koaj focused on youth fashion for men and women. In the year 2014 recorded exports worth USD 3.746.586 FOB (DIAN, S.f) where their main products sold were falling within the tariff heading 62.03.42.10.00 corresponding to long pants, bib, shorts and cotton shorts specifically of tissues called denim, falling within the heading 62.04.62.00.00 for long, short, pants with bib shorts made in cotton. In third place is heading 61.09.10.00.00 which includes garments and clothing accessories, t-shirts and shirts made of cotton, it is followed by the heading 61.09.90.90.00 which includes the same products of the previous game, but with the difference that these are made of other textile materials. Finally is the starting 62.03.42.90.00 that includes long pants, bib, shorts and cotton shorts: others. (DIAN, S.f)



16. Graphic. Export Permoda S.A. 2014

Source: self made.

Based on the above graph, it is important to mention that these 5 tariff items corresponds to the 51.22% of the total value exported in 2014 augend including USD 1.919.046,88. Additionally the destination of such exports was analyzed and found that these were mainly addressed to Costa Rica, Ecuador, Venezuela, Mexico and Peru, the participation of each one can be seen in the graphics N ° 17.



17. Graphic. Countries target export Permoda S.A 2014

Source: self made.

According to the previous graph, it is important to mention that the main importer of products of Permoda S.A is Costa Rica with a share of 37%, followed by Venezuela with 31%, 14%, Peru 10% Ecuador and Mexico last with 8%.

### **12.6 Comparison between Bogota and Medellin.**

In Colombia the of the textile and clothing activities throughout the territory, however cities like Medellin and Bogota stand out due to their high percentage of participation. That said, it is important to mention that Medellin is located above Bogota, due to various factors such as::

- In Medellin is constituted a cluster textile with approximately 15 years of experience while in Bogota the only fashion cluster was established from the year 2003 which means an advantage of 4 years by Medellin.
- In the Antioquia capital are companies recognized for its antiquity and tradition since they began as small family companies but over the years they have become important industrial in the form of joint-stock companies conglomerates and possessing a high scale of production. On the other hand companies incorporated in Bogota are characterized by family and with fewer years of experience.
- In Bogotá there are approximately 10,800 businesses dedicated to textile sector activities while in Medellin 10.344, mean it 456 companies more there in the Colombian capital. However, although Bogota industry is very big in it enough incentives nor adequate integration are not given so that their participation in the production and marketing of textile products exceed the Medellin that has a fragmented industry that excels in the number of micro and small enterprises that receive constant support through programs and events that promote growth and increase its portfolio of customers and hence their sales.



### 13 Findings

Table 14  
DOFA matrix

<b>STRENGTH</b>	<b>WEAKNESS</b>
<ul style="list-style-type: none"> <li>- In Medellin, is constituted a textile cluster involving important financial, governmental and private entities which interact with each other, allowing a consolidated partnership and making the sector of the world.</li> <li>- Medellin has a broad portfolio of companies that offer products and services throughout its production chain catering all needs that arise in the market.</li> <li>- Colombia ranks among the 15 main suppliers of countries that belong to the Alliance of the Pacific which reaffirms its potential in relation to the activities corresponding to the textile sector.</li> <li>- Colombia boasts a strategic location which allows access to the ports of major clients such as United States and Chile.</li> </ul>	<ul style="list-style-type: none"> <li>- Little use of FTA and trade agreements by microenterprises established in Medellin, causing the decrease of exports and therefore the increased imports of raw materials and supplies belonging to the textile sector.</li> <li>- Scarce technological development in industrial activities that affect production costs and progressively reduces the competitiveness of domestic enterprises against foreign women.</li> <li>- The poor road infrastructure and the high costs of transport increase the costs of production and marketing as a result make prices of domestic products higher than those imported in addition to representing a delay in delivery times.</li> <li>- In companies are not made consistent training to employees and are not very concerned about staying informed and updated with a market that changes every minute, aspects which are essential to the generation of value and increase of competitiveness in the international market.</li> </ul>

<b>OPPORTUNITY</b>	<b>THREAT</b>
<ul style="list-style-type: none"><li>- The Colombian Government offers constantly programmes of motivation and incentive for the growth of the textile sector, specifically in Medellin institutions as Inexmoda promotes major fairs as Colombiamoda which aims to encourage foreign investment in the country.</li><li>- Medellín cluster developed a program called plan Godfather that promotes the growth of SMEs through knowledge transfer and cooperation by large companies.</li><li>- Antioquia textile sector generated 30.5% on average and jobs of the Department offers around 110,000 jobs in Medellin, which demonstrates the high potential of the industry.</li><li>- Industry production activities does not require skills or special skills, allowing you to use people who do not have studies or work experience contributing to the reduction of unemployment in the city.</li></ul>	<ul style="list-style-type: none"><li>- Important countries such as Mexico, Venezuela, Peru and Ecuador applied restrictive quotas on imports causing a decrease in sales that were performed from Medellin to these places.</li><li>- Increase in legal and illegal competition that grows constantly and hinders the development of small and medium-sized domestic companies.</li><li>- Due to the Elimination of quotas for which the world market for textiles and clothing was governed, the movement of Asian products that are offered at very low prices soared and consequently other countries have lost competitiveness; specifically in Colombia joins the fact that the dollar has suffered during recent years a constant revaluation therefore the entry of foreign products is facilitated.</li></ul>

## **14 Conclusions and recommendations**

### **14.1. Conclusions**

This research has made a journey through the evolution of the textile sector and confecciones both nationally and internationally, where the major countries involved in the growth of this industry, the positive and negative impacts that have influenced the situation that you have in the sector were identified.

First textile and clothing at the international level, is consolidated as one of the most important in addition to be held by 15 major economies that provide 85.6% of world imports where the European Union stands out as the main buyer of textiles and apparel with 27%. As regards exports, China stands out as the leading seller of products belonging to the industry with a global participation equivalent to the 34.8% due to factors such as cheap labor, industrial and logistics infrastructure of high quality, capacity for production to large scale, which ranks it as the main supplier of several countries such as Colombia.

It is worth highlighting that Colombia has a 1% share in world exports of textiles and clothing, during the last decade the industry has grown approximately 11.3% despite the drastic fall in the years 2009 and 2012 due to different aspects such as the revaluation of the peso against the dollar, smuggling and elimination of tariff barriers that have facilitated the entry of foreign products in the country as evidenced in the increase of the 47.8% of the imports of the year 2011, which cause negative effects on domestic firms since today has become an extremely difficult task to compete with imported products which are offered at very low prices in the

market. Currently the domestic industry does not have the ability to lower costs of production; Labor, raw material, the little road infrastructure and high prices that must be paid by energy are factors that do not allow to offer competitive products as evidenced in the decrease of exports, influenced also by the application of restrictive quotas on imports by major clients such as United States, Peru, Ecuador and Venezuela.

Now, the second participation in the industrial and economic development of the country is located in the textile sector, which is composed of important companies located in major cities including Medellín; the Antioquia capital has a consolidated industry in which develops the 64.4% of the activities of the sector at national level because the amount of companies large, medium, small and micro that there are. Given the importance of this industry, the Government in conjunction with the companies and different lenders such as Bancoldex have ensured to promote and support the growth of SMEs through different institutions such as Inexmoda and fairs as Colombiamoda looking precisely for attracting foreign investment, expand the customer base and promote consolidation of small businesses that are considered to be the basis of future economic and exporter in the sector.

To conclude, the textiles and clothing of the city of Medellin has needed to position itself as a major in the international market since it has excellent workmanship, products recognized for its quality and innovation, programs that if well used can open doors to new markets; but the Government and the companies must implement best strategies so that external aspects do not obstruct and threaten the disappearance of the sector both in the city and in the country.

## **14.2 Recommendations**

Taking into account the geographical position of Colombia, its comparative advantages, political stability, fiscal and regulatory as the growing number of FTAF and the important role that emerging countries are taking in the international market, it is essential to establish best strategies to make the greatest possible use these opportunities.

It is important to establish to achieve growth in the internationalization of enterprises and therefore a positive development of the textile and clothing industry in Medellin whereas both companies and financial institutions and Government to implement strategies consistent with the changes that has taken the international market.

On the one hand, the Government should establish a strong protection to domestic products, exercise greater control on the entry of goods in order to reduce smuggling and illegality should also consider implementing measures of restriction for imports avoiding unfair competition that arises and that domestic demand is gathered up by foreign products. Additionally, it is of utmost importance not only for the textile sector, but for the economic and social development of the country that invests in infrastructure since this exaggerated increases the prices of the products both for national distribution as for the sent or entry of goods from abroad. Finally we need the State to work for the development and growth of its national industries to do so must improve programs offered with the aim of promoting and promote the Colombian textile sector around the world.

For their part, financial institutions should grant best financial credits both large and medium-sized enterprises and microenterprises and small enterprises being this vital so to acquire new

technology and human talent required to compete in the international market. Accessory way, such entities may provide training and support for support for those companies that intend to sustainable projects but that do not have the resources to carry them out.

Finally, companies should redirect and adjust their organizational culture by changing its linear thinking by a circular, systemic and innovative thinking starting with acquire knowledge and transmit it to their partners through training and advice to all areas in general, must invest in research and innovation as well as take advantage of the programs offered by the Government to publicize their products and to venture into new markets to be recognized for being an innovative industry and of high quality.

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