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Mexico Eyes Antipiracy Deal With China

By Ivan Castano



A freight ship in China.

Photo By Xinhua/Lanov/PHOTOMALL

MEXICO CITY — Mexico's apparel industry association Canaive hopes to sign an antipiracy cooperation agreement with Chinese counterpart China National Textile and Apparel Council early next year, as it struggles to tame a flood of subvalued Chinese imports.

It is also seeking similar agreements with five other regional apparel associations, which it intends to sign throughout 2012, Canaive's president, Marcos Cherem, revealed to WWD.

"We hope to meet with them in late January or early February and hopefully sign a cooperation deal then," Cherem said.

He could not say at this stage which regional associations Canaive plans to meet with, as "the schedule is still being set up."

In October, Canaive met with Zhang Xinmin, vice chairman of the China Chamber of Commerce for Import & Export of Textiles, during the 27th World Apparel Convention in Puerto Vallarta, Mexico. Soon afterward, it also met with the Shandong Government Council in Mexico City to explore the possibility of ironing out a cooperation agreement with that province, one of China's largest apparel producers.

Cherem said the meetings provided a launching pad for a greater collaboration deal with CNTAC and the other regional textile and apparel lobbies.

Striking a cooperation deal with the Chinese has become Mexican clothiers' last resort against China's rising exports of undervalued and counterfeit apparel, the bulk of which reach Mexico "well below" their manufacturing and shipment cost, Canaive claimed.

"It's clear that the government does not want to help us resolve this issue," Cherem said, conceding Canaive and compatriot textiles chamber Canaintex have failed to persuade the government to toughen customs and step up raids against the organized crime rings that bring in the underpriced merchandise. "We have realized that the only way to address this issue is by cooperating directly with the Chinese."

When it meets with CNTAC and the other provinces, Canaive hopes to sign a three-pronged collaboration deal. The first goal will seek to develop a trade information exchange between the Chinese and Mexican associations to stamp out the arrival of subvalued clothing into Mexico.

"The CNTAC has the ability to trace most garments [and their producers] shipped to Mexico. By giving this information to our customs officials, we can trace the illegal exporters and importers in both countries," Cherem said, adding that for every illegal Chinese exporter, there is a Mexican importer.

The second initiative will be to promote Chinese investment and co-investment in Mexico's apparel and textiles industry.

"The Chinese are interested in benefiting from our free-trade deal with the U.S. [NAFTA], so if we show them how they can invest and coinvest in our production chain to access the U.S. market without paying duties, they are going to be interested," Cherem added.

He continued: "Rather than fighting the Chinese, what we have to become is their trading and business partners. We can't wait for our government to accuse them of dumping, rely on our customs to modernize or our government to chase criminals. We must take action ourselves."

Under the cooperation agreement's third objective, Canaive will also seek research and development partnerships between the two countries' trade bodies and manufacturers.

"The Chinese are pioneers in apparel-manufacturing technology," Cherem noted. "They have developed the best machinery, technology and product development. We want them to teach our companies their know-how. In exchange, we will give them the chance to invest and forge partnerships and business synergies with Mexico's leading apparel producers and exporters."

According to Canaive and Canaintex, six out of 10 garments sold in Mexico are contraband or fake. Most come from China or other Southeast Asian countries under "triangulation" activities that masquerade Chinese merchandise as originating from Malaysia, Indonesia or Vietnam.

In an interview with WWD last October, both lobbies' representatives expressed optimism that Mexican government promises to combat the activity could slash the trade to the point where only every three out of 10 garments were illegal. But Canaive's general manager, Claudia Ramos, conceded those targets are now less realistic, unless the administration fulfills its earlier promises, something that is highly uncertain in the short term.

On Dec. 9, customs association Caaarem and tax regulating agency SAT said that a new merchandise inspection system had been installed in all of Mexico's customs ports. The new system of "pre-validation" will use industry feedback on the true cost of hundreds of textile raw materials to flag undervalued garments. It will also have a greater ability to detect where cargoes originate from, helping stamp out triangulation activities.

However, Ramos said the initiative is "just the beginning" of what needs to be a much stronger war against the

illicit garment trade.

“If the government gets really serious on the pre-validation system, this [the three out of 10 target] may be achieved, but so far, we don’t have any clarity on how much this effort will actually be enforced,” he said.

The situation is likely to become even fuzzier next year as Mexico holds general elections that are expected to see the end of President Felipe Calderón’s reign, which Canaive criticized for failing to thwart organized crime’s stronghold on many industries.

As imports continued to spiral out of control, China accounted for the bulk of this year’s 20 percent jump to \$728 million in apparel imports, Canaive said, adding that some 300 apparel producers shut down, leaving some 3,000 people unemployed. On the brighter side, exports rose 8 percent to \$4.2 billion, while domestic clothing sales jumped 11.3 percent.

However, Cherem expects Chinese imports to rise even more next year, bringing further losses to the industry.

The first quarter already looks “very disappointing, and in fact terrifying,” he said, adding that 15,000 jobs could go in the first half of 2012.

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