



40,000 people took part in a demonstration in León in December to save the Mexican footwear industry.

PHOTO: CICEG

Mexican industry mixes it on the streets

The latest footwear-producing country to face life without a cushion against low-cost competition from China is Mexico. Quotas on footwear imports were to come to an end on January 1, making it possible for importers in Mexico to offer cheaper shoes from China to their retail clients.

However, no one could accuse Mexico's own footwear manufacturers of giving up without a fight—quite the

reverse—and their efforts so far have won them a stay of execution, at the very least.

At the end of last year, they took to the streets in the city of León, capital of the state that is the mainstay of shoe production, Guanajuato. This was the culmination of months of tense discussions between the sector and the new government of President Felipe Calderón (he took office in December 2006), during which organisations such as the influential Footwear Industry Chamber of the State of Guanajuato (CICEG) accused the minister for the economy, Eduardo Sojo—who is from León and is a former state economic policy co-ordinator for Guanajuato—of giving up on Mexican footwear.

On a bright December day, an estimated 40,000 people joined the demonstration, which the organisers called “a march for unity and for jobs”, to make the authorities think again. The mounting pressure seems to have worked, up to a point. The government has given the industry until February to submit detailed financial information that may prove that some sort of trade defence mechanism is still necessary.

INDUSTRY FIGURES

Total annual production: 170 million pairs.

Guanajuato's share of national production: 68%

Footwear exports (mostly cowboy boots):
10 million pairs

Exports to US: 80% of that total

Exports to Canada: 10% of the total

Exports to Europe: 10%

Employees in the sector at the end of 2007: 72,500

This hinges on comparing production costs, market prices and margins in Mexico with those of producers in China. If CICEG and other bodies can show that Chinese prices are falsely low, the government is likely to try to keep protection measures in place. This is enough to hold back the feared flood of cheap Chinese imports in the meantime.

CICEG spokesperson, Laura Oca de Montes, explains that the industry has already presented documentation "offering solid proof" of 70 instances in which Chinese footwear suppliers have employed trade-distorting practices. An important part of this was the documentation that the European Commission put together to justify the anti-dumping measures it has in place at the moment on imports of leather shoes from China and Vietnam.

Brazil also figures in this dossier. The Mexican industry has been able to present a detailed price breakdown of Brazilian footwear exports to North America and to compare the figures with those that Chinese imports achieve. Ms Oca de Montes insists that this comparison shows "significant signs of dumping" where the Asian imports are concerned.

But she also makes it clear that her organisation accepts that the government can make no definite decision on maintaining tariffs and quotas before footwear manufacturers submit further detailed information on their businesses, which CICEG has urged them to do before the February deadline.

A familiar story

There are two sides to every dispute, sometimes more. In this case, the companies that make a living by importing footwear into Mexico also have the



Industry organisations are urging Mexican manufacturers to increase their investment in training and new technology no matter what happens with China. PHOTO: CICEG

opportunity to present their case to the government. Laura Oca de Montes says that, as far as she knows, none of these operators has so far submitted any information or taken any step to refute the footwear producers' arguments.

It's a familiar tale, but the main thrust of the Mexican footwear industry's opposition to lifting quotas is that the internal situation in China means its competitors there have an unfair advantage. It insists that Mexican shoe manufacturers accept unequivocally that they must face competition—CICEG has calculated that shoes made in at least 40 different countries made their way onto the domestic market during 2006.

On this subject, CICEG president, José Antonio Abugaber, says: "The notion that this industry is protectionist and closed to external competition is false. We are completely opposed to protectionist measures and we believe in competition, if it's fair. However, we will oppose by all legal means unfair competition."

One of his members, Javier Plascencia, chief executive of a footwear brand called Elefante, believes that the competition he faces from Chinese manufacturers is unfair because of the "human cost" of the cheaper offering the Asian operators have been able to put together.

"I've visited a factory in China in which the workers only got one day off a month," he says. "They worked a 12-hour day and received a monthly salary of \$100. At the end of their shift, they would walk across the road to a hostel in which they had to sleep 14 to a room, but they were able to save almost the whole of their salaries."

Mr Plascencia says several of these workers told him that they had contracts that tied them into these conditions for five years, at the end of which, many intended to return to their homes in rural parts of China and use their savings to set up a business of their own. ➤



December's march "for unity and for jobs" showed how central footwear production still is to the economy in the state of Guanajuato. The sign says: "When the footwear manufacturers work, everything works." PHOTO: CICEG

MEXICAN INDUSTRY MIXES IT ON THE STREETS

Forward planning

The industry in Mexico is at least 360 years old (see panel), but it is bracing itself for this year to be one of the most important in its history. And nor is it pinning all its hopes on keeping quotas in place. A programme that first emerged in 2004 to turn 'Made in Mexico' into a brand, the way the footwear industry has done in places like Brazil, Italy and Spain, will continue at a much brisker pace in 2008.

CICEG has registered 'Mexicanshoes' as a trademark. In the course of the next 12 months, it hopes to sign up more manufacturers under this banner and copy the example of the countries mentioned above by exhibiting under the combined name at the big industry shows, including the three most important European

ANCIENT ART

The footwear industry in Mexico dates back more than 360 years.

Documents from the seventeenth century show registered shoemakers throughout the territory. Even then, the state of Guanajuato and—in particular—the city of León were centres of footwear excellence, with artisan shoemakers from Spain showing up on the earliest city documents, which date back to 1645.

Andrés González Cabildo and Gregorio López Hermoso are named among 36 proponents of the trade in the town at that time.

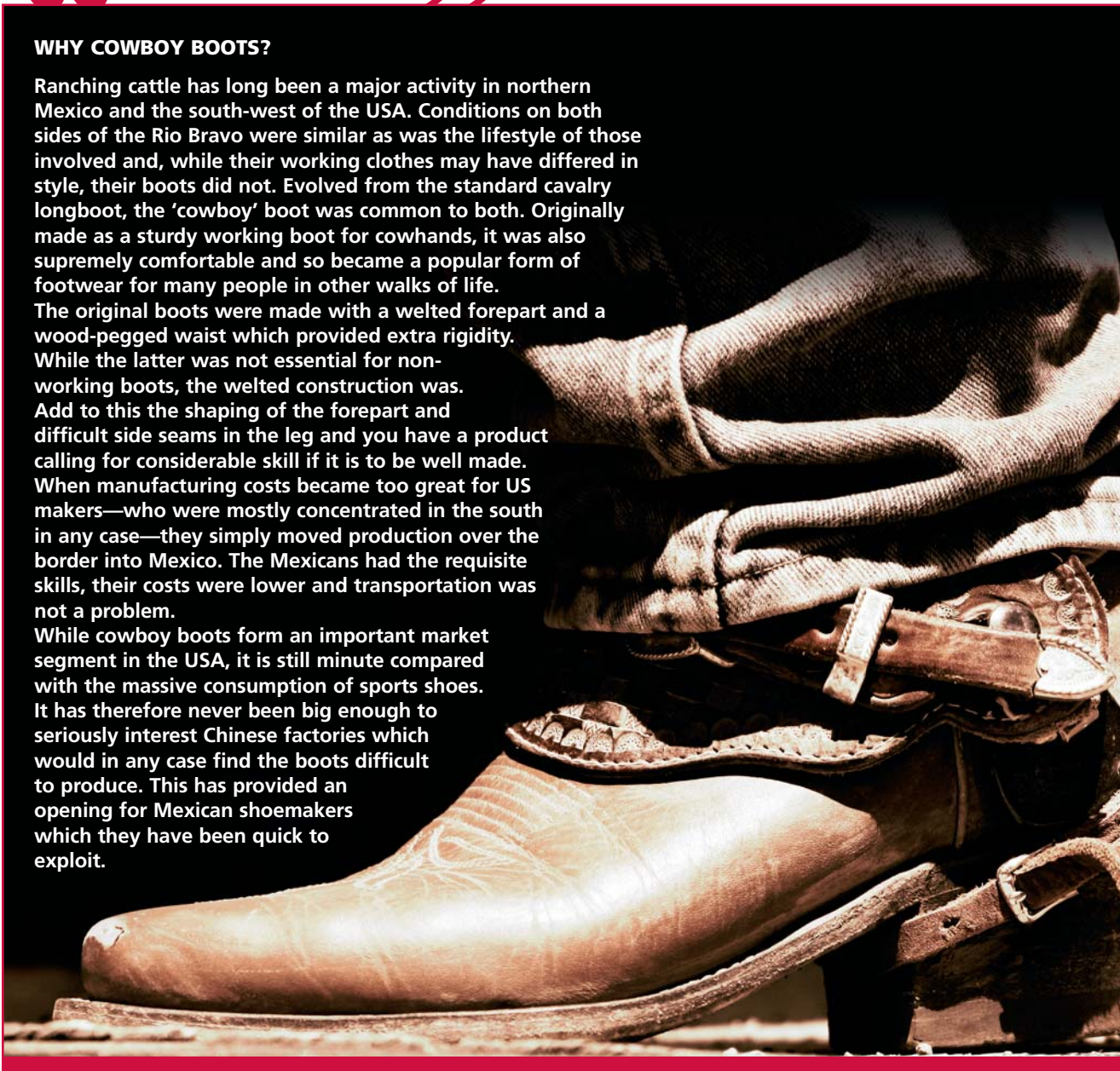
“...to answer the question...”

WHY COWBOY BOOTS?

Ranching cattle has long been a major activity in northern Mexico and the south-west of the USA. Conditions on both sides of the Rio Bravo were similar as was the lifestyle of those involved and, while their working clothes may have differed in style, their boots did not. Evolved from the standard cavalry longboot, the 'cowboy' boot was common to both. Originally made as a sturdy working boot for cowhands, it was also supremely comfortable and so became a popular form of footwear for many people in other walks of life.

The original boots were made with a welted forepart and a wood-pegged waist which provided extra rigidity. While the latter was not essential for non-working boots, the welted construction was. Add to this the shaping of the forepart and difficult side seams in the leg and you have a product calling for considerable skill if it is to be well made. When manufacturing costs became too great for US makers—who were mostly concentrated in the south in any case—they simply moved production over the border into Mexico. The Mexicans had the requisite skills, their costs were lower and transportation was not a problem.

While cowboy boots form an important market segment in the USA, it is still minute compared with the massive consumption of sports shoes. It has therefore never been big enough to seriously interest Chinese factories which would in any case find the boots difficult to produce. This has provided an opening for Mexican shoemakers which they have been quick to exploit.



HISTORY LESSON

The Mexican footwear industry was flying high 65 years ago.

With the US concentrating the bulk of its industrial effort on World War II, its neighbour to the south became an important source of shoes and boots, and footwear production in Mexico went through a phase of rapid expansion.

At one point, in the early 1940s, León alone had 1,315 footwear factories, employing almost 20,000 people in all, which was very close to half the working population of the entire city at that time.

However, at the end of the war, footwear production picked up again in the US and in Europe, and Mexico found itself squeezed out, certainly as far as the export market was concerned.

Commentators today suggest that the main problem then stemmed from the reluctance of Mexican footwear manufacturers to invest in the necessary technology and modern working methods to remain competitive. The leaders of Mexico's footwear industry in 2008 are determined to do everything they can to prevent the same thing from happening now.

ones: GDS in Dusseldorf, Micam in Milan and Modacalzado in Madrid.

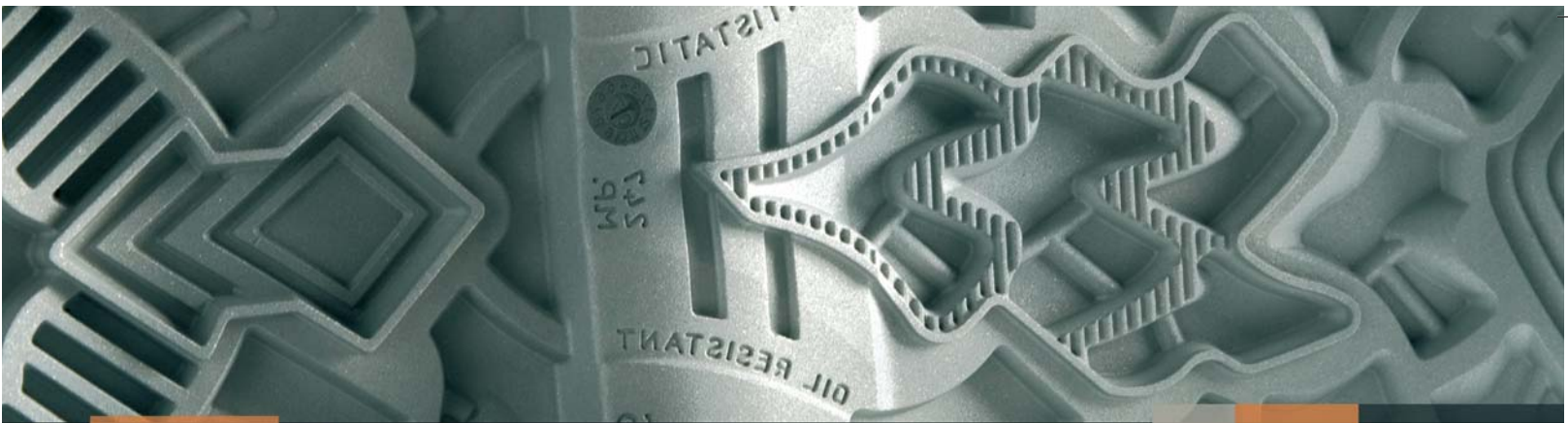
At the same time, trade missions to key target markets will take place.

Last summer, 16 Mexican manufacturers travelled to Japan to present their shoes and boots to potential customers in Tokyo, Kobe, Yokohama and Osaka. More such tours will take place in 2008.

Another tactic is to try to make Mexico's own footwear exhibitions more and more international, building on the reputation that events such as Sapica have established in the global marketplace. It is already the biggest footwear event in Latin America and, the organisers claim, the fourth biggest in the world.

Finally, CICEG and other industry bodies are urging their member companies to push forward in bringing new technology into their operations regardless of what happens with China. These organisations point out that state funding may be available for training and new equipment for manufacturing companies that want to push forward for a better tomorrow.

Participants will need to bring their existing expertise and experience in footwear design. They will also need to have belief in themselves and in their own future and that of their industry; a positive outlook is required. The Mexican footwear sector in 2008 is no place for pessimists. 



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