



A Zara store in Mexico, contributing the country's footwear market of 285 million pairs a year. CREDIT: INDITEX

Tariffs of 70% on imports of shoes into Mexico from China are about to disappear. Manufacturers in the Mexican market are fearful of how a sharp increase in Chinese imports may affect their businesses.

Brave new world for Mexican footwear

December 11 this year is a key date for the Mexican footwear industry. Current duties of 70% on imports of shoes from China will drop on that day to 0%, opening up the Mexican market to brands and manufacturers from the Asian country. This has frayed the nerves of the almost 8,000 companies involved in the production of shoes in Mexico. Together they made 244 million pairs of shoes and boots in 2010, of which only 18.7 million pairs, 7.7%, went for export. And to meet domestic demand, which totalled 285 million pairs in 2010, importers brought 58.6 million pairs into the country. With a 70% tariff to pay, Mexico is less attractive than many other export markets to shoe companies in China. When this barrier is removed, the picture is likely to be very different. This at least is the great fear of many in Mexico.

Self-defence

The governor of Guanajuato, one of Mexico's most important footwear-producing states (with 70% of national footwear output), Juan Manuel Oliva Ramírez, has said he supports moves by the Mexican footwear industry to defend itself against "unfair competition". Addressing a meeting organised by the state's footwear industry association (CICEG) at the start of 2011, Mr Oliva said: "We don't want the jobs that the footwear and leather industries create in Guanajuato to be taken away by China. We don't want our people to end up unemployed."

CICEG president, Armando Martín Dueñas, has urged state and federal governments to act to defend Mexico's footwear industry, which supports 571,000 jobs across the country. He insists the Mexican industry is

MEXICO'S SHOE INDUSTRY BY NUMBERS

Number of companies in the Mexican footwear industry	7,981
Production	244 million pairs per year
Consumption	285 million pairs per year
Average per capita annual consumption	2.5 pairs
Exports	18.7 million pairs
Imports	58.6 million pairs
Jobs in footwear manufacture	137,885
Jobs in footwear supply chain	275,770
Jobs in footwear retail	158,263

totally committed to competition as long as the competition is fair, but has alleged openly that that some of the competition his member companies are about to face from rivals in China will be unfair.

At the end of September, Mexico's finance ministry sent a formal letter to the commerce ministry of China to ask it to bring to an end a series of anti-competitive practices that Mexico says some Chinese exporters are engaging in. According to the Mexican ministry, Chinese exporters (of products including footwear) have been using third-party countries to ship goods to Mexico to distort statistics, playing down the impact December's changes might make on domestic shoe production. It said the cheap prices of some Chinese-made products coming into Mexico would not even cover the cost of the raw materials. Its letter to the Chinese ministry was accompanied by what finance minister, Bruno Ferrari, called "proofs and specific examples" of these practices. "We call on the Chinese authorities to bring these companies to order," Mr Ferrari said. Mexico has said it will apply to the World Trade Organization to impose anti-dumping measures on China if the anti-competitive practices continue.

Government agreement

Of course, the wider question of removing the 70% tariffs is something that Mr Ferrari and his government colleagues have already agreed to. Shortly before firing this warning shot across China's bows he made it clear that his country will not put its "reputation as a serious trading partner" in peril by going back on the agreement to end tariffs on imports of Chinese shoes at the end of 2011. "It's not in our interests as a nation to go back on what we have promised," Mr Ferrari said at a meeting with senators at the end of August. "The timescales are decided and we are sticking to them."

He pointed out that a policy of open trade in recent years had seen the value of Mexico's exports across all sectors increase from \$52 billion in 1993 to nearly \$300 billion in 2010, and reiterated the promise that the government would act quickly if there were evidence of uncompetitive practice on the part of Chinese exporters, which he can argue it has already done with the formal letter of complaint to China.

On the subject of footwear, junior minister Dr Lorenza Martínez Trigueros has insisted that imports of leather

footwear, which she said constitutes 78% of Mexico's own shoe output, will still carry duties in 2012, an average of 27.5% depending on the exporting country. She pointed out that this was higher than many manufacturing nations. Footwear industry observers immediately pointed out that, because these duties will not apply to imports from China, they ought to be part of completely separate discussion.

Support from the First Lady

Mexico's First Lady, Margarita Zavala, has lent her support to the country's footwear industry in the face of the expected forthcoming surge of competition from China. Ms Zavala has urged consumers to choose Mexican shoes.

She was a surprise visitor to the Sapica footwear exhibition, which took place in León in September, taking time to visit the stands of manufacturers of children's shoes in particular. In comments to some of the exhibitors, she said: "Part of the support we must show your industry is to buy shoes made in Mexico and



Margarita Zavala, Mexico's First Lady, has lent her support to the domestic footwear industry. CREDIT: LUISADBIWIKIPEDIA



Increased competition from China could encourage a greater commitment to quality and design among Mexican producers.

CREDIT: ANPIC, MEXICO

show our appreciation for the quality of the products that various states of Mexico are making. This industry is important for Mexico. It's part of our tradition."

Who's afraid?

But a former minister for social development, the economist Dr Esteban Moctezuma Barragán, has contributed his two pesos' worth to the debate in recent weeks, saying that he sees little threat to Mexico's footwear manufacturers from the lifting of the tariffs. In fact, he feels strongly that Mexico can learn and benefit from this development.

"China's share of our footwear market is around three million pairs a year at the moment," he says. "This leaves lots of scope for Mexican manufacturers. And what I believe is that, rather than look on competition from China as a threat, they should see it as an opportunity for them to improve the quality and design of the shoes they make to differentiate Mexican shoes from cheaper imports. They need to say to the world that they, the footwear manufacturers of Mexico, accept the challenge presented to them, that they will serve the needs not only of the domestic market, but also, increasingly, export markets too." He even thinks a seal of guaranteed origin, like those that exist for the finest tequila, would be a good idea for shoes too as a sign that consumers can have confidence in a product that manufacturers are proud of. 🌐



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