3-6-2013

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Business Organizations Join Forces to Urge Government to Curb Sale of Counterfeit Products

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Category/Department: Mexico
Published: 2013-03-06

A study from one of Mexico’s top business organizations indicates that counterfeit products are gaining increasing popularity among Mexican consumers. The study by the Confederación de Cámaras Industriales (CONCAMIN) indicated that nearly one-tenth of Mexican consumers knowingly use pirated products, which are smuggled into the country illegally or manufactured in Mexico. These products have increased their share of the Mexican consumer market by about 20% since 2008, the year the global economic crisis hit Mexico, the US, and other countries (SourceMex, April 2, 2008, and Oct. 1, 2008).

CONCAMIN and other organizations brought up their concerns at a special conference, the "Primer Diálogo con Sectores Industriales Afectados por el Contrabando y Piratería en México," held in early February in Mexico City. The forum allowed business organizations, specialists, and government officials to exchange points of view on recent trends in counterfeiting.

CONCAMIN noted that counterfeiting has increased by about 0.3% annually, affecting a wide variety of consumer products. The most popular pirated products include cigarettes, wine, hard liquor, software, clothing, medicines, perfume, movies, and even auto parts. "It is now possible to acquire counterfeited brakes, a trend that poses a huge danger to the community," said the Mexico City daily newspaper El Sol de México.

Tax collections affected

But piracy has hammered certain industries harder than others, including manufacturers of spirits, tobacco, clothing and apparel, and music, some participants said. The proliferation of counterfeited liquor and tobacco has a deep impact on the federal government, since no taxes are collected on these items. The Mexican Congress in recent years has increased taxes on these products to boost revenues and fund special programs, including an anti-smoking campaign (SourceMex, Jan. 9, 2002, Dec. 13, 2006, and Nov. 17, 2010).

"[Counterfeit products] also hammer the public treasury because a large source of revenues is lost," said Héctor Álvarez, vice president for international affairs at the Cámara Nacional de la Industria de Transformación (CANACINTRA). "The informal economy does not contribute to the tax base, and consumers acquire products of poor quality, even though they pay a good price for these items."

Participants at the forum urged President Enrique Peña Nieto’s administration to take significant steps to combat the sale of counterfeit products, including creating a special office to investigate and enforce Mexico’s intellectual-property laws. Business organizations say the government’s policies in this area have been disjointed, allowing organized crime to become involved in the illicit sale of counterfeit goods.

Business groups estimate that counterfeit products cause economic losses of about US$125 billion per year, six times higher than the amount of revenues that enter the country via remittances.
Participants did not mention the origin of the counterfeit products, but in recent years, many of these items have been imported illegally from China (SourceMex, May 14, 2003, Jan. 14, 2004, Dec. 5, 2007, and Dec. 14, 2011)

In recent years, the Mexican government has taken several steps to protect intellectual property, including a move to protect heritage products such as tequila and the maguey cactus (SourceMex, Dec. 5, 2007). Mexico has also made efforts to comply with international norms, such as combatting counterfeit medicines (SourceMex, June 30, 2010).

The latest effort in the area was Mexico’s decision to join the Madrid Protocol, a system that allows countries to register and protect trademarks. Mexico joins 88 countries that are part of the protocol, which is under the auspices of the World Intellectual Property Organization (WIPO). Miguel Ángel Margáin, director of the Instituto Mexicano de la Propiedad Intelectual (IMPI), said Mexico became the fourth Spanish-speaking nation to join the protocol this year, along with Colombia, Cuba, and Spain.

**Formal versus informal jobs**

Officials at the forum were quick to point out that sales of counterfeit products were resulting in the loss of jobs in the formal economy, but they did not provide estimates. CANACINTRA officials did note that 14 million Mexicans make a living selling counterfeit products. That is roughly half the 28.9 million Mexicans who depend on the informal economy for a living, including food vendors and people who provide services such as cleaning houses.

"Practically six out of every 10 workers in Mexico is occupied in an informal activity and does not have social security," said the Mexico City daily newspaper La Jornada

Some of the government’s job data contains further information on the growth of the informal economy. Statistics issued by the government’s statistics office (Instituto Nacional de Estadística y Geografía, INEGI) and the Secretaría del Trabajo y Previsión Social (STPS) indicated that more than 1.9 million jobs were created between September 2011 and September 2012, which is basically the last year of President Felipe Calderón’s six-year term. The two agencies noted, however, that roughly 1.2 million of these jobs involved informal activities. "This indicates that practically two of every three jobs were created in the informal economy," said La Jornada.

Despite the creation of new jobs, unemployment stood at 4.9% of the economically active population (EAP) in the fourth quarter of 2012, up 0.1% from the same period a year ago, said INEGI.

INEGI said the jobless rate was highest in large urban areas, where unemployment was reported at 5.7% of the EAP. In medium-sized cities, the rate dropped to 5% of the EAP and in small cities to 4.5%. Rural unemployment was reported at 3.5% of EAP.

The two areas with the largest number of jobs in Mexico were México state and Mexico City, where 22% of the country’s EAP is concentrated. The two entities together accounted for about 10.6 million jobs. Other large centers of employment included Jalisco, Veracruz, Puebla, Guanajuato, and Nuevo León states, said INEGI.

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