A TALE OF TWO APPAREL WORLDS

By Michael Serwetz
Optimyze, LLC

Beginning in 2005, it will be the best of times and worst of times for the Apparel and Textile industry: With the elimination of all quotas, product should be free to flow from where it is best sourced, and the American consumer should be saved an estimated $13 billion per year in additional costs attributed to quota cost and brokerage. That is the good news. On the other side of the issue are some darkening clouds that threaten to ring in Brave New World with a firestorm:

- While the elimination of quotas according to a 1994 WTO agreement was to phase in over ten years, political pressure in this country forced the postponement of 47% of the apparel/textile categories, and some 89% of the quantity, until the last minute.

- China was not a member of WTO when the agreement was negotiated. It is now. So is India. Between the two countries, they represent a labor force of more than 1.6 billion people, and both have a solid textile background as well as all the necessary backward linkages to complete a finished product. This raises the prospect of these two countries dwarfing the other 138 countries in the WTO and seriously hurting some of their economies. Estimates of China's share of U.S. imports range as high as 50%.

- The U.S. negotiated the right to impose "safeguards" on certain categories if there was a surge in imports, through the year 2008. This is a prime political football, and will almost certainly be imposed on key apparel categories early in 2005. The consequences could be serious disruption of supply pipelines, with negative consequences of varying degrees for importers and retailers here. There is no way to know when these safeguards will be imposed, or how long they will be in effect.

- Buyers have had various reactions to the changes in 2005, from rushing to place as much as possible in China, to being frozen in fear and doing nothing. Both are serious strategic mistakes.

Is there anything that can be done to prevent the chaos that is to ensue? No. Is there anything that can be done to better prepare for the coming challenge? Yes.

At Optimyze we have composed an 80 page report with analysis of the situation, country by country review, and strategic recommendations. It is actionable intelligence. We believe this information is the first step toward building a strategy that has as many safeguards as possible for 2005. Second, we recommend each company do an audit of their actual product placement, by product, vendor, and country, then coalesce that information with geopolitical considerations. The resulting strategy will be their best defense against supply disruption.

2005 is here. How much we like it depends on how we prepare. For questions or to purchase a copy of the report, email mike.serwetz@optimyze.com

Mike Serwetz has spent the last 35 years of his life traveling the globe in the pursuit of apparel product. He has done so for every segment of the apparel industry, from retail (Federated), to Brands (Levi Strauss and Joe Boxer), to private label. In doing so, he has sourced product in more than 30 countries around the globe. In addition, he has developed and marketed web-based supply chain management software for the apparel/textile trade. He recently retired as President of Ecompartners, an apparel SCM software firm, to pursue avenues of effort that would help the industry survive and prosper after 2005.

He has a Masters Degree from Dominican University in Political and Economic Assessment, and has attended Stern School of Business at New York University. And, he has a PhD. from the University of Make Your Own Mistakes. He also has owned a trading company in China for five years, after he taught MBA courses at the Jiangsu Cadre Institute in Wuxi. Currently he is SVP, leading the Sourcing and Operations Strategy team, at Optimyze, LLC, a New Jersey based consulting firm.