Closure of Shanghai Bazaar Not Expected to Subdue Piracy

Chinese officials trumpet the move as an assault on the bootleg market. Merchants plan to sell their counterfeit wares elsewhere.

By Don Lee, Times Staff Writer
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SHANGHAI — The most expensive rents in China's most expensive city aren't suites on the historic riverfront, the Bund, or boutiques along Nanjing Road, Shanghai's version of Rodeo Drive. They are flimsy stalls in a large bazaar jammed next to a smelly produce market.

Some of the 800 merchants at Xiangyang Market pay $10,000 a month or more for space no bigger than most American kitchens. Even bare walls behind stores are subleased for thousands of dollars, then converted into makeshift stores.

Customers from across the world come to buy bootlegs of famous brands. Rolex, Prada, Louis Vuitton, Mont Blanc. You name it, they're all here. The five-acre bazaar is often the first stop on a Shanghai tour group's itinerary.

"We got advice from friends back home," Swiss tourist Christoph Kay said on a recent afternoon, holding two fake Callaway Golf drivers, for which he haggled down to $12.50 each. But after six years of booming business, in open view of authorities, Xiangyang Market will be closing at the end of June.

Shanghai officials recently announced its shutdown, trumpeting it as a big strike in their campaign against piracy.

China is facing increasing pressure from the United States to combat rampant piracy that American companies say cost them billions of dollars a year.

In recent weeks the Bush administration, under pressure from a Congress unhappy about the large U.S. trade deficit with China, has threatened to get tougher with Beijing by taking its complaint on intellectual property rights to the World Trade Organization.

Chinese officials are eager to show that they are serious about reducing piracy, especially with President Hu Jintao preparing to visit the United States next week.

Beijing recently said it would require computer manufacturers to ship their products with legitimate copies of operating-system software. Analysts also expect China to take tougher action against factories that pirate American movies.

Few believed piracy was the reason for the shuttering of Xiangyang Market. In fact, the announcement came after the city cut a lucrative deal with a Hong Kong developer who has plans to build apartments and offices on the site.

Even Xue Yong, Xiangyang Market's vice general manager, couldn't help but smirk when asked whether the closure was meant to curb counterfeiting.

"You cannot say it's because of that," he said as he sat in his third-floor office behind the market.

The story of Xiangyang Market reflects the complex nature of China's counterfeit trade and how local governments rely on pirate markets to create jobs and revenue.
When Shanghai officials opened Xiangyang Market in June 2000, it was meant to raise money to pay off loans used to relocate about 1,000 households from the site, Xue said.

The market didn't start out as a bootleg bazaar. The founders were apparel designers who came to Xiangyang from nearby provinces to sell their own labels in China's richest city. But some of the market's first merchants traded fake brand merchandise — and soon counterfeiters were driving the traffic and the rents.

At one stall, He Zhikui and his partner sell bootleg Callaway golf clubs, Wilson tennis rackets and other sporting goods and clothes. The Henan man said rent in 2000 was less than $1,000 a month for their 180-square-foot shop. But that has gone up tenfold.

To subsidize his rent, He subleased a wall on the side of his store to a merchant who uses the space to display boxes of counterfeit Game Boy cartridges and other games.

He and his partner said they grossed $300,000 in their best year.

"Sometimes they raid the market. But so what?" said He, who was wearing a white knit shirt with a Callaway logo on it. If authorities wanted, he said, "this place would have been closed years ago."

Besides rents, many shops pay taxes to the city. Merchants say those who reported sales of $2,500 were taxed $100 a month.

Shanghai officials wouldn't comment.

The market also provides jobs and incomes to thousands of people, including migrant workers who have flooded into the city.

By day, a 21-year-old from poor Anhui Province who gave her name as Lu works at a restaurant not far from Xiangyang Market. At night, she joins countless others prowling the streets, where she sidles up to foreigners and other passers-by, showing them catalogs of pirated goods.

If they show interest, she leads them to backrooms and nearby houses that serve as warehouses. Lu splits the profit from sales with merchants. Usually that means about $200 a month for Lu, double what she makes as a waitress.

Lu, though, isn't ruining the closure of Xiangyang Market. She figures many of the merchants will set up shop elsewhere. Several hundred are said to be looking in the Longhua neighborhood in southwest Shanghai.

"Old customers can always find me, and I can always lead them to a new market," Lu said.

He, the golf club peddler, is making plans to move his sports store to Xintiandi, a high-end shopping district built by another Hong Kong developer. Even the choicest space there or in swanky malls such as Nanjing Road's Plaza 66 fetch no more than $5 per square meter per day, less than half the going rate at Xiangyang Market.

Customers will undoubtedly follow. Most of them — including many Americans — can't seem to pass up cheap Chinese-made goods, fake or not.

On a recent Friday afternoon, Andrew Chapin and his friends from Washington were resting at a Starbucks behind Xiangyang Market, weary from hours of jostling in the narrow alleys and haggling with merchants. At his side were a counterfeit Nike backpack that he bought for $6 and a pair of fake Puma shoes he got for $5.

Chapin was in Shanghai for just a day, so he didn't care that Xiangyang would close.

He said, "People will go wherever these markets move."