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Terror's Purse Strings By DANA THOMAS

LUXURY fashion designers are busily putting final touches on the handbags they will present during the spring-summer 2008 women's wear shows, which begin next week in New York City's Bryant Park. To understand the importance of the handbag in fashion today consider this: According to consumer surveys conducted by Coach, the average American woman was buying two new handbags a year in 2000; by 2004, it was more than four. And the average luxury bag retails for 10 to 12 times its production cost.

"There is a kind of an obsession with bags," the designer Miuccia Prada told me. "It's so easy to make money."

Counterfeiters agree. As soon as a handbag hits big, counterfeiters around the globe churn out fake versions by the thousands. And they have no trouble selling them. Shoppers descend on Canal Street in New York, Santee Alley in Los Angeles and flea markets and purse parties around the country to pick up knockoffs for one-tenth the legitimate bag's retail cost, then pass them off as real.

"Judges, prosecutors, defense attorneys shop here," a private investigator told me as we toured the counterfeit section of Santee Alley. "Affluent people from Newport Beach." According to a study by the British law firm Davenport Lyons, two-thirds of British consumers are "proud to tell their family and friends" that they bought fake luxury fashion items.

At least 11 percent of the world's clothing is fake, according to 2000 figures from the Global Anti-Counterfeiting Group in Paris. Fashion is easy to copy: counterfeiters buy the real items, take them apart, scan the pieces to make patterns and produce almost-perfect fakes.

Most people think that buying an imitation handbag or wallet is harmless, a victimless crime. But the counterfeiting rackets are run by crime syndicates that also deal in narcotics, weapons, child prostitution, human trafficking and terrorism. Ronald K. Noble, the secretary general of Interpol, told the House of Representatives Committee on International Relations that profits from the sale of counterfeit goods have gone to groups associated with Hezbollah, the Shiite terrorist group, paramilitary organizations in Northern Ireland and FARC, the Revolutionary Armed Forces of Colombia.

Sales of counterfeit T-shirts may have helped finance the 1993 World Trade Center bombing, according to the International AntiCounterfeiting Coalition. "Profits from counterfeiting are one of the three main sources of income supporting international terrorism," said Magnus Ranstorp, a terrorism expert at the University of St. Andrews, in Scotland.

Most fakes today are produced in China, a good many of them by children. Children are sometimes sold or sent off by their families to work in clandestine factories that produce counterfeit luxury goods. Many in the West consider this an urban myth. But I have seen it myself.

On a warm winter afternoon in Guangzhou, I accompanied Chinese police officers on a factory raid in a decrepit tenement. Inside, we found two dozen children, ages 8 to 13, gluing and sewing together fake luxury-brand handbags. The police confiscated everything, arrested the owner and sent the children out. Some punched their timecards, hoping to still get paid. (The average Chinese factory worker earns about \$120 a month; the counterfeit factory worker earns half that or less.) As we made our way back to the police vans, the children threw bottles and cans at us. They were now jobless and, because the factory owner housed them, homeless. It was “Oliver Twist” in the 21st century.

What can we do to stop this? Much like the war on drugs, the effort to protect luxury brands must go after the source: the counterfeit manufacturers. The company that took me on the Chinese raid is one of the only luxury-goods makers that works directly with Chinese authorities to shut down factories, and it has one of the lowest rates of counterfeiting.

Luxury brands also need to teach consumers that the traffic in fake goods has many victims. But most companies refuse to speak publicly about counterfeiting — some won't even authenticate questionable items for concerned customers — believing, like Victorians, that acknowledging despicable actions tarnishes their sterling reputations.

So it comes down to us. If we stop knowingly buying fakes, the supply chain will dry up and counterfeiters will go out of business. The crime syndicates will have far less money to finance their illicit activities and their terrorist plots. And the children? They can go home.

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