



Imports arrive at the port of Hamburg from Asia. CREDIT: PORT OF HAMBURG

The ongoing story of anti-dumping

The two-year term for which the European Union (EU) imposed anti-dumping measures on imports of leather shoes from China and Vietnam ended on October 6. Importers in Europe, especially northern Europe, and exporters in the two Asian countries were hopeful that this would be an end to the matter, but they have been disappointed. The EU has announced a formal review of the situation and, until the review is complete, the tariffs of 16.5% on imports from China and 10% on those from Vietnam will remain.

The main argument against the measures is that it makes footwear imports and footwear prices in general more expensive, meaning consumers have to pay more. The backdrop to this is that this runs contrary to contemporary retail supply chain theory and practice. Global sourcing and efficient supply chain execution strategies have made most things cheaper.

For retailers, this decade has been about keeping prices low, which is their principal means of competing with one another. They then try to increase their margins by selling things that consumers may not have thought about buying: product insurance when you buy electronic goods, or, in the context of footwear, shoe-care creams and sprays on display at the point of

The European Commission has announced a formal review into imports to the European Union of shoes with leather uppers from China and Vietnam. It means that anti-dumping tariffs of 16.5% and 10% respectively will stay in place for the time being. This article charts the course of the debate in the two years since the measures first came in.

sale. Cheap is good, expensive is bad—until you cross an invisible border and move into the luxury market when the reverse suddenly applies.

The luxury market is for the elite, though. Most European footwear manufacturers are firmly entrenched in the middle market. Price is of critical importance here, and it's correct for the companies involved to be as efficient as they can be, all the way from sourcing leather and other materials to delivering finished product to customer organisation.

The industry's representatives in major footwear manufacturing countries, such as Portugal, Spain and,

especially, Italy—as well as the pan-European industry body, Brussels-based CEC—have argued that they are happy to work at making their companies and their supply chains more efficient, to continue trying to improve product quality and keep prices as low as they can, to be innovative in their approach to using new materials and manufacturing processes, to keep interpreting as accurately as they can fashion-based consumer demands, and to provide footwear retailers on all continents with a high level of service.

They say they are happy to compete on the open market, but they contend that the playing field has not been, and still is not, level. At the core of the whole anti-dumping debate is the insistence on the part of European producing countries that their competitors in Asia are in receipt of informal help from their governments, which allows them to sell their shoes to European trading partners at falsely low prices.

These bodies argued not for a review of the current measures, but for a renewal and reaffirmation of them and, most recently in the summer of 2008, they presented a detailed dossier of information that they claim proves dumping is still going on.

News coverage of the affair, not least in Europe's most respected business newspaper, the Financial Times (FT), has largely failed to put these points across and has focused for the most part on the northern European, retail side of the discussion.

In a news piece published on October 3, the FT repeated an earlier approach of quoting BEUC, an umbrella group for consumer associations across Europe. Its spokespeople have said consistently that making it more difficult to give European consumers access to cheap imported shoes was unfair.

The newspaper also quoted sources close to the former European trade commissioner, Peter Mandelson (the pantomime villain of this story), as saying that he had only pushed for a review, which keeps the measures in place in the meantime, because he had no choice, with the clear suggestion that he would have preferred to remove the duties. It also said the commission would seek to carry out its review and, perhaps, remove the tariffs as quickly as possible.

There was nothing in the report to offer the argument in favour of anti-dumping measures. However, we can confirm that the Financial Times at least made some effort to do so on this latest occasion. Its reporter called the World Footwear offices on October 2 to ask for the contact details of the Italian National Association of Footwear Manufacturers (ANCI). ANCI told us on October 3 that it had tried three times to return the FT reporter's calls but had not been able to get through.

Later in the day, the association issued a statement



Peter Mandelson, Europe's trade commissioner until October 3.

CREDIT: EUROPEAN COMMISSION

taking Mr Mandelson to task for suggesting that the interim retention of the measures may be short-lived. Its president, Vito Artioli, said: "This new investigation automatically brings with it an extension until the end of 2009 of the duties currently in force for imports from these two Asian countries. The Commission was forced to acknowledge our case, given that China and Vietnam are still today embracing trade policies that obviously cause great harm to the European footwear industry."

He said anti-dumping was not a measure that aimed to limit trading (anathema to Mr Mandelson), but "a necessary act against those countries that adopt unfair initiatives, marketing products below cost to undermine their competitors".

He added that his association had used official European trade statistics to show that, in the last 18 months, imports of leather footwear from China and Vietnam had dropped by 40 million pairs. His argument is that if those shoes had previously been on offer to European consumers at a falsely cheap price, the commission has done the right thing in trying to improve the situation.

And if this helps manufacturers of beautiful, fashionable, high-quality leather shoes in countries such as Italy, Spain and Portugal to stay in business, Mr Artioli is of the opinion that this will be of benefit to consumers, who ought to look for more when buying footwear than just the cheapest price. It is also in the interests of European tanneries for footwear manufacturing there to survive.

Ironically, on October 3, Peter Mandelson resigned as European trade commissioner to return to a position in the UK government. His replacement in Brussels is Baroness Catherine Ashton, until now the most senior government representative in the House of Lords, the UK's second tier of parliament.

ANCI was initially complimentary of Mr Mandelson after the announcement that there would be a review.

Vito Artioli, said: "We warmly thank Commissioner Mandelson for having himself proposed a revision of the deadline on duties on Chinese and Vietnamese shoes. We give the same thanks to the Italian government for the support received." Nevertheless, you do not need to be Sherlock Holmes to work out that the footwear industry will have shed few tears over the Commissioner's decision to change jobs.

Voting scare

At one stage, it looked entirely possible that the anti-dumping measures would not last beyond their original two-year span. At a committee meeting on September 17 in Brussels, representatives of the 27 EU states voted by 15–12 not to renew the measures. This decision represented no more than a recommendation, with the final decision being in the hands of the leaders of the EU's executive, the 27 commissioners, who eventually went along with Mr Mandelson's somewhat reluctant recommendation for a review.

For a few days, though, things appeared to be in the balance. On September 29, Mr Mandelson told the Financial Times that he was going to propose a review, but that he would ask for the review to be completed in the shortest space of time possible. Twelve to 15 months is the normal length of time for such an exercise to last, but there were suggestions that the trade commissioner's office might seek to lift the tariffs (16.5% on Chinese imports and 10% on those from Vietnam) as early as spring 2009. As mentioned above, Vito Artioli of ANCI insists this would be illegal.

ANCI reacted with surprise and anger to the September 17 vote. Speaking in Milan at the Micam exhibition, Mr Artioli, said: "The opinion expressed by the anti-dumping committee is not only ill-founded, but also constitutes a legal and economic error."

He went on to say that a two-year exercise was never going to be enough to allow manufacturers in Europe to recover from the "grave harm" that dumping practices had caused them.

"We are genuinely surprised by the fact that the anti-dumping committee seems to have taken into consideration the private interests of only a few companies, who have been carrying out big lobbying campaigns, without paying any attention to the negative impact an unfavourable decision would have on the European footwear sector as a whole. There is absolutely no way to justify the fact that an entire industry sector is having its future ignored and denied."

He formulated these comments into a press statement that did run in the Financial Times, on September 20, but only after ANCI and CEC had arranged to pay for a page, running this text as



President of the Italian National Footwear Manufacturers' Association, Vito Artioli (centre), shares his thoughts on anti-dumping at Micam on September 19, 2008.

CREDIT: MICAM

though it were an advertisement. Mr Artioli mentioned at Micam that this had cost no less than EUR 60,000.

The previous week, Dr Karl Sedlmeyer of adidas told the press at the GDS event in Düsseldorf that his company was one of those that had been lobbying for an end to the measures. He argued: "We have had anti-dumping for the last two years, following 12 years of limitations in import volumes [lifted by the World Trade Organisation at the start of 2006], so we've had restrictions on imports of footwear into Europe for about 14 years. And there have been doubts about the current situation, that perhaps it isn't proper dumping. There are also doubts about this being good for the European footwear industry. I'd say it's not useful to have restrictions and that it's European consumers who have to suffer from the effects of the tariffs. These extra costs are not necessary."

Macau implicated

Earlier in 2008 there was controversy surrounding the role of the special administrative region of Macau in China's leather footwear exports.

At the end of April, the European Union moved to add Macau to the list of Asian countries against which it applies anti-dumping measures on imports of leather footwear. It claimed that, while Macau's imports of footwear from China in 2005 totalled 40,000 pairs, the figure for 2007 (the year after the measures came into place) jumped to 5.1 million. It said that China's use of Macau as a staging post for footwear exports was the only plausible explanation. The former Portuguese colony has a population of 500,000.

However, in the first half of 2008, the Macau authorities were able to show that footwear exports from the territory had "fallen sharply".

Vietnamese reaction

Representatives from Vietnam have expressed disappointment over the European Commission's decision to continue enforcing footwear tariffs while they review anti-dumping measures on Vietnamese leather shoes.

"The EC's decision to review the current anti-dumping measures on Vietnamese leather shoes negatively impacts not only Vietnam, but also the interest of European consumers and companies and goes against their opinions," says Nguyen Thanh Bien, deputy minister of Industry and Trade.

The country had called on the European Union not to extend the anti-dumping duties, saying the measures were protectionist. Officials there also said that the European Commission had told them in March 2008 that the measures would be scrapped after they expired in October.

On a visit to Europe in September, deputy industry and trade minister Le Danh Vinh, said: "We are not dumping leather shoes on the EU market. The extension of these duties is unjust, runs against the spirit of trade liberalisation, is contrary to the objectives of alleviating hunger [most of the workers in Vietnam's footwear factories are women], harms competition and has already cost 40,000 jobs."

Consternation in China

The China Leather Industry Association (CLIA), the state body that aims to promote the leather and footwear sectors in China, has said it regrets the decision to launch a review because it means duties of 16.5% on Chinese leather shoes will stay in place until the review is complete.

"The footwear industries of China and EU are not in competition at the same level," CLIA said. "The EU has a strong advantage in design, management, quality control and innovation, it therefore has occupied the high-end market."

It also said that imports of leather shoes to China from the EU—in particular from Italy and Spain—have been increasing significantly in recent years. "Those products are mainly for the high end of the market and are very competitive," the organisation continued, "and this makes the anti-dumping measures unnecessary. CLIA strongly hopes the European Union will reconsider its decision and end the anti-dumping measures. Otherwise it will damage not only the interest of Chinese shoemakers but the European consumers, distributors, importers and its manufacturing industry. The decision-making of European Commission should comply with public opinion."

One of China's arguments is that the average export price of a pair of leather shoes manufactured in China has been going up for five years (although industry



Dr Karl Sedlmeyer of adidas (second from the right) said at a press conference at the GDS event in Düsseldorf that his company had lobbied against keeping anti-dumping measures in place. CREDIT: RENE TILLMANN/MESSE DÜSSELDORF

observers in Europe dispute this) and is still going up.

CLIA has said that the average export price of a pair of leather shoes in July 2008 was \$8.18, which represents a rise of 18.9% on the price in the same month in 2007. It is CLIA's contention that the growth-rate of export prices, which has continued for the last five years, has picked up considerably in the last two years, precisely the period during which these products have been subject to anti-dumping measures from Europe.

The immediate future

The anti-dumping measures will now be in place until the end of the official review. In the immediate aftermath of the decision, those opposing the tariffs said, quoting heavy hints from Peter Mandelson's office, that the review could be concluded quickly, the claims of continued dumping dismissed and footwear manufacturers on both sides of the debate left to battle it out on the open market.

The change in trade commissioner may make such a swift conclusion to the affair impossible; Baroness Ashton may have her own views to bring to the table. In any case, Vito Artioli has made it clear that ANCI will raise its voice in protest again if the review does not take until the end of 2009 at least. Is he being obstructive? Not the way he sees it. He says: "We are only interested in what is fair and legal. We are concerned about Europe's producing companies, and about Europe's economy. And in Italy, I must say that the manufacturing skills of our country impress me deeply. The world of finance, with its daring buildings, can be fascinating, but it leaves you hollow. It's just figures; there's nothing to back it up. It's a cloud that can be blown away by a gust of wind. Skilled men and women don't get blown away. We are still here and we will continue to be here and will continue to make beautiful shoes." 🌐