EU Anti-dumping Investigation on Leather Shoes from China and Vietnam enters final Phase

DG External Trade’s investigation into complaints of dumping of leather shoes from China and Vietnam is now reaching its conclusion. The investigation confirms the finding of dumping at the provisional stage. A confidential provisional final analysis and provisional proposals for definitive measures have now been circulated to Member States and parties to the case.

Both Member States and parties will comment on the analysis and on the basis of these comments DG Trade will prepare a proposal for a course of action that will need to be adopted by the College of Commissioners in September and would then go to Member States for adoption by early October.

- This case concerns only leather shoes from China and Vietnam. This is about nine pairs of shoes from every 100 pairs bought by Europeans. See full import data below.

- This is an anti-dumping case not a safeguard case. It concerns not volumes of imports, ‘low-priced’ imports, or quality of imports but price distortions caused by anti-competitive behaviour unacceptable under WTO rules.

- Because it is not a safeguard issue, in no circumstances will there be any limit at all on import of leather shoes from China or Vietnam to the EU. While the word quota can be used to describe the allowances that might apply under a possible ‘deferred duty system’, suggesting that DG Trade is proposing a return to the capped quota system that applied before 1 January 2005 is wrong and highly misleading.

- The European Commission’s provisional investigation concluded that there is compelling evidence of serious state intervention in the leather footwear sector in China and Vietnam – cheap finance, tax holidays, non-market land rents, improper asset valuation. There is dumping flowing from this state intervention. The EU investigation was undertaken in factories jointly agreed with the Vietnamese and Chinese governments.

- The European Commission’s provisional investigation concluded that there is clear evidence of injury to EU producers. Since 2001, closely tracking the rise in dumped imports, European footwear production has contracted by about 30%. Some 40000 jobs in the sector have been lost. This is not related solely to dumped goods. But state-intervention and dumping in China and Vietnam exacerbate intense competition.

- Because of our lesser duty principle Europe’s anti-dumping rules clearly ensure that anti-dumping measures cannot be used to make imports more expensive than the equivalent EU product – and they can and often do leave the competing export much cheaper than the European equivalent. This is not true of the rules used by India, the United States and China itself – nor do any of these countries apply a Community interest rule.

- Don’t fall into the trap of comparing shoes and textiles. The textile issue concerned fairly traded textile imports subject to a dramatic and sudden increase in volume. The European Commission never suggested that Chinese textile exports were unfair or traded illegally. It acted with the Chinese to cushion the impact of a massive shift in global trading patterns in textiles. By 2008 that cushion will be gone. Leather footwear from China and Vietnam is
being state-subsidized and dumped. This is unacceptable under WTO rules and the European Union has a legal right to protect European producers against such practice.

- Share of EU-China trade covered by this or any other anti-dumping measures: less than 2%

**A deferred duty system**

DG Trade has floated the possibility of a deferred duty system that would allow a specified number of Chinese and Vietnamese shoes to enter the European Union free of any anti-dumping duty. Shoes entering above that allowance would be subject to a duty, which would correct the injurious effects of dumping.

A deferred duty system would provide a substantial allowance of shoes to enter the EU before the anti-dumping duty would apply. The ad valorem duty for shoes outside the allowance would be set so as only to correct the trade-distorting effects of dumping, not to make imports uncompetitive on the European market.

A deferred duty system would involve a single import license, issued by EU authorities – with no administrative burden on either China or Vietnam. The system would ensure predictability with the necessary certainty for manufacturers and importers. It would balance the needs of producers, retailers, importers and consumers. However, it is very important to be clear that DG Trade is still consulting with legal experts on the technical detail and practicability of such a system and it remains a provisional proposal.

**Import data: leather shoes from China and Vietnam**

Overall EU shoe market 2005: 2.5 billion pairs

Leather shoes as % of total EU shoe market: 35%
Products covered by provisional measures as % of total EU shoe market: 9%

Overall China shoe imports to EU 2005: 1.25 billion pairs
China exports 2005, shoes subject to investigation: 206 million pairs
China exports 2005, shoes covered by provisional measures: 145 million pairs

Overall Vietnam shoe imports to EU 2005: 265 million pairs
Vietnam exports 2005, shoes covered by provisional measures: 80 million pairs

Increase in Chinese leather shoe exports to EU 2004-2005: +450%,
Increase in Chinese leather shoe exports to EU 2001-2005:+1000%

Increase in Vietnamese leather shoe imports to EU 2004-2005: -1% (largely due to competition from China)
Increase in Vietnamese leather shoe 2001-2005: +95%

Fall in average unit price for Chinese/Vietnamese leather shoes 2001-2005: China: -32%; Vietnam -20%; average -28%
Consumer prices for Chinese/Vietnamese leather shoes have remained stable or risen slightly 2001-2005  (SOURCE: Eurostat and Commission data)