



*Renata shoes from Badally. Italian and French brands regularly dominate the favourite footwear lists of the world's wealthiest consumers.*

CREDIT: MICAM

## Anti-dumping: the beginning of the end

Duties on imports of leather shoes from Vietnam and China to the European Union (EU) will remain in place until midway through 2011 after a dramatic conclusion at the end of 2009 to a long debate over 'dumping'. Manufacturers in Europe have long complained that their counterparts in the two Asian countries receive anti-competitive help that allows them to put a lower export price on the shoes they make than the price consumers pay for the same products in their domestic markets.

The authorities in Vietnam and China

have repeatedly denied that these practices go on, have complained loudly about the extension and have already begun lobbying in Brussels and at the World Trade Organisation to make sure no further extension will take place.

When the news broke, a spokesperson for the Chinese commerce ministry, Yao Jian, said the government there was "strongly dissatisfied" by the EU's decision. Mr Yao said China would appeal to the World Trade Organisation, adding: "We have noticed that EU importers, retailers, and many member countries show

opposition to the anti-dumping measures. We hoped the EU could respect facts, follow the wishes of European people and stop such anti-dumping measures. Trade protectionism can only hurt mutual trust and lead to losses to both sides."

The Vietnamese government issued a press release condemning the European Commission's decision to continue with the anti-dumping measures before the Brussels-based trading bloc had even confirmed the news. Foreign ministry spokesperson Nguyen Phuong Nga called the decision unfair and biased and said it



A senior adidas executive, Dr Karl Sedlmeyer (right), at a press conference at the GDS exhibition. He told journalists that his company was openly lobbying to have the anti-dumping measures stopped. The general manager of the Federation of the German Footwear Industry (HDS), Manfred Junkert (left) supported his efforts.

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did not reflect the truth of the shoe-making industry in Vietnam. She insisted that Vietnamese leather shoemakers are not capable of manipulating their export prices because most of the manufacturing companies are too small. Ms Nga asked EU member countries and the European Commission to reconsider the case.

The anti-dumping measures have been in place since 2006 when the European Commission imposed them for an initial two years. In October 2008, when those two years were up, a vocal group of European footwear manufacturing organisations presented evidence that the problem still existed and still made it impossible for them to compete on an equal footing. The discussions were far from friendly, with lobbying by some wealthy footwear brands and powerful retail groups providing part of the backdrop. In the end, the Commission called for a formal review of the situation, with the anti-dumping duties remaining in place pending the outcome. This brings the story to the autumn of 2009.

### A vote against

An initial vote took place in Brussels on November 19 last year among the nominated trade experts of each of the 27 EU member states on the proposal to extend these measures until midway through 2011, but 15 member states voted against that. Ten voted for and two, Slovakia and Lithuania, abstained. Had two of the 15 countries that voted against changed their minds, even to the abstention camp, the extension proposal would have carried the day.

Important industry organisations such as the Italian Footwear Manufacturers'

Association (ANCI) and its counterpart in Spain, FICE, said immediately that they feared the measures would disappear, but pointed out that this two-country change of heart might still take place because they firmly believe that the evidence made it clear that footwear manufacturers in China and Vietnam were still dumping shoes on Europe. It was they who put the evidence together.

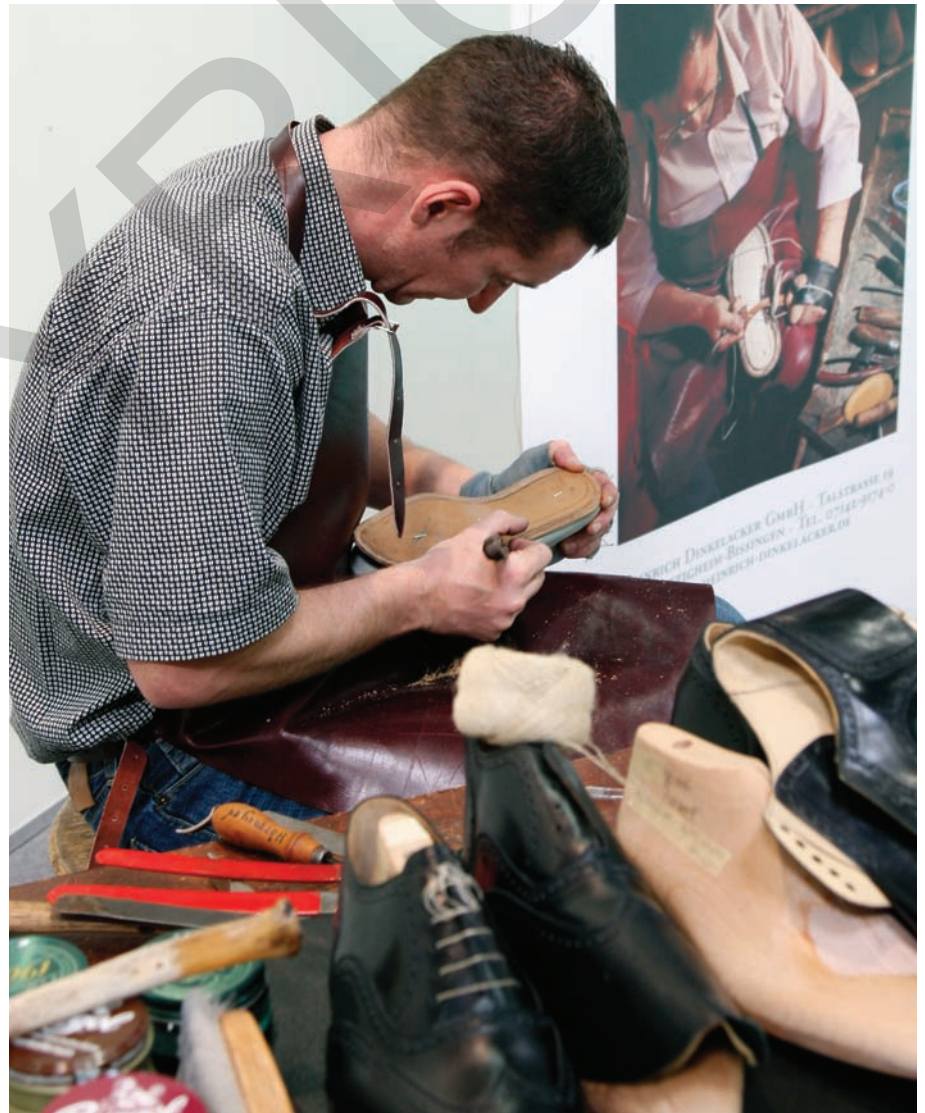
The next step was for the Council of Ministers, senior representatives of the 27 governments, who made the definitive decision on December 18. However, ANCI and FICE are now fearful that a number of Council of Ministers members regard this extension as the final time they can support anti-dumping measures, regardless of whether the footwear industry organisations can prove unfair export practices are ongoing.

### Multiplication of divisions

Inside the footwear industry itself, the rifts that have opened up over this are deeply unpleasant; division usually is.

Broadly split into northern and southern groups, Spain, Italy and Portugal are fearful over the many thousands of jobs in their economies that depend on footwear manufacturing. In northern countries, where footwear is almost completely relegated to a sourcing and retail story, many commentators are still lobbying loudly for Europe just to give up on making shoes on home soil, which would mean giving up on many of those jobs.

In an article on the subject at the time, the *Wall Street Journal* more or less repeated this argument. It pointed out that millions of people in China are employed in the footwear industry, while the entire leather sector in Europe employs about 250,000



A German footwear artisan demonstrates his skills. Italy exports fewer shoes than China, but the Italian footwear has a higher value.

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The president of the Italian Footwear Manufacturers' Association (ANCI), Vito Artioli. His organisation has led the fight to have the anti-dumping measures against imports into Europe of leather shoes from China and Vietnam extended.

CREDIT: MICAM

people, mostly in footwear. *World Leather* submitted a comment on this, pointing out that the comparison between China's employment statistics for this sector and those of the EU are only part of the picture. The volume of EU footwear production is lower, but the value is much higher.

Italy alone exported 90 million pairs in the first five months of 2009, earning \$3.7 billion from them. In the same period, China exported 342 million pairs, earning \$3.05 billion. New York-based research organisation The Luxury Institute publishes reports showing the most popular footwear brands among the most wealthy consumers. The lists for the US, for Europe and for China are totally dominated by Italian and French names (the French fashion houses design and make most of their shoes in Italy now). There are good reasons for that. Quality counts.

If the northern lobbyists succeed one day and footwear in Europe does just become a retail-sourcing story, it won't mean the end for quality: Asian producers can produce quality shoes, just as Asian tanners can produce quality leather. But there is genius in the shoes that feature in the lists The Luxury Institute compiles

and this is helping make leather shoes such a uniquely desirable consumer product, season after season.

If European manufacturers fail to survive partly, at least, as a result of unfair competition from Asia, it will put their entire supply base, including tanners, under severe pressure. There is no argument to be made in favour of anti-competitive subsidies from the EU or from member state governments for shoe manufacturers. We have to have faith in

the rules of global commerce. But if the European footwear manufacturing sector suspects competitors elsewhere of foul play, it deserves to have the same chance as anybody else to be listened to and to have the whole argument aired. To concede that the argument has weight, as the Council of Ministers did last year, but to say that there must be a time-limit of 15 months on the anti-dumping measures that can provide a bit of counter-balance is to add even more confusion. ☺

### A difference of opinion

CREDIT: PUMA

There are good arguments on both sides of the anti-dumping debate. At the launch of its sustainability strategy earlier this year, prominent sports lifestyle brand Puma, which entrusts the manufacture of many of its shoes to partners in Vietnam and China, spoke out against the measures. Chief executive, Jochen Zeitz, said that it was costing his company money that it would otherwise use to accelerate the strategy of reducing its impact on the environment.

The strategy is of interest to *World Leather* because it encompasses the choice of materials it will use in its footwear and apparel collections, including, for example, an insistence that all the leather in its shoes is free of chromium VI. The company has committed to making 50% of its international footwear and apparel collections in keeping with these measures, the S-(for sustainability) Index, by 2015. With the discussion in the leather industry over how chromium III can sometimes turn into chromium VI (and the role that anaerobic digesters may be playing in this) ongoing, there may be work for supplier tanneries to do before they can give Puma the guarantees it requires.

At the presentation of the strategy, however, *World Leather* did question the comments on anti-dumping, leading to the following exchange with the Puma chief executive.

WL: On anti-dumping, you said it was holding you back from making investments you want to make because of the extra cost. We don't want to ask again about this; just to say that we don't agree that anti-dumping is unfair.

#### Jochen Zeitz: But why don't you agree?

WL: Because if you focus for a moment on just the desirability aspect of your mission statement, one of the things that makes Puma a desirable brand is that it is a European brand. For European brands to be able to keep achieving that desirability, they need a supply base here. If there is dumping and you don't oppose it, you run the risk of losing brands and, therefore, the supply base.

**JZ: All right, but we are not dumping anything and we are being made to pay. At our price point, there is no dumping. They should be going after the companies at the cheaper end, the ones who pay no attention whatsoever to social responsibility or the environment. There are companies that should be investing and are not, and we who are not responsible for dumping are being made to pay. That's why this whole thing makes no sense. \***