

Peter Mandelson

EU Trade Commissioner

Leather footwear, tough competition and unfair trade

*Check Against Delivery
Seul le texte prononcé fait foi
Es gilt das gesprochene Wort*

Remarks to the European Parliament; oral questions with debate

Strasbourg, 14 March 2006

In these opening remarks to a European Parliament debate, EU Trade Commissioner Peter Mandelson argues that anti-dumping measures can only be part of a much wider strategy to adjust to competition from Asian exporters like China. He argues that Europe is justified in acting to correct injury caused by unfair trading practice but he warned that Europe should not pretend that competitive pressure on Europe is related solely to unfair trade. He argues that changing patterns of production, including the outsourcing of European production to Asia mean that Europe has nothing to gain from closing the doors to competitive Asian exports.

Mandelson says: "Europe's trade defence measures target unfair trade. They cannot protect us from tough competition. They cannot shield us from Asia's natural and legitimate low-cost advantages. However, when those comparative advantages are topped up by unfair and uncompetitive practice we have a right and an obligation to act."

Mandelson argues that "Rising to the Asian challenge places great demands on our businesses and workers. But politics and policy can take a proactive hand in creating the conditions in which businesses and workers can adapt to economic change." Arguing that the European Union has to "equip today's Europeans for tomorrow's jobs", Mandelson welcomes the proposed creation of a Globalisation Adjustment Fund to of €500 million to be used to provide immediate relief to job losses and business failures linked to globalisation.

Mandelson concludes:

"We must invest in change. Invest in those affected by change. But face up to a changing world. We must be robust in our defence of the rules, and our defence of fair competition. We need to recognise that if we want to win the wider political argument for free trade, we must be ready to defend fair trade.

But we cannot deny Asia its comparative advantages or the competitive industry that is lifting hundreds of millions in the developing world out of poverty. The only sustainable balance to that competition is the creativity, innovation and commitment of European companies themselves, reinforced with the appropriate help from political authorities".

I am happy to respond to questions related to the situation of the EU's footwear industry.

First of all, let me stress that I am strongly committed to developing the two way trade and investment relationship between Europe and China, and with other Asian markets including Vietnam. There is no greater prize for European trade policy in the coming years than the prize of getting these relationships right.

I believe Europe must respect and adjust to the natural advantages these economies have; shifting our own focus to sectors and products where our own skills and technologies give us the edge. This is how trade grows: and that is how Europe's economies have grown over centuries.

Tough competition and unfair trade

The European footwear industry is in the front line of global competition. For all their ingenuity, creativity and excellence, Europe's leather shoe makers are faced with an extraordinary challenge from Asian producers.

But the case of dumping requires me to distinguish between this tough new competition and genuinely unfair trade.

Europe's trade defence measures target unfair trade. They cannot protect us from tough competition. They cannot shield us from Asia's natural and legitimate low-cost advantages.

However, when those comparative advantages are topped up by unfair and uncompetitive practice we have a right and an obligation to act.

Recommendations in the footwear case

That is why, having been presented with the preliminary analysis and assessment of my services, I have recommended to the Commission and to Member States provisional duties in this case.

There is clear evidence of serious state intervention in the leather footwear sector in China and Vietnam – cheap finance, tax breaks, non-market land rents, improper asset valuation – leading to dumping. And that dumping is causing serious injury to EU producers.

I have recommended that duties of 16.8% for Vietnam and 19.4% for China be phased in over a period of five months, beginning at about 4% in April.

This will ensure that retailers with goods in transit are not suddenly faced with an unexpected cost at the border. It means importers can plan ahead over the next six months with the maximum of transparency and predictability. It nevertheless means, that after six months a full duty will be in place and the damaging effects of dumping will be counteracted.

As I am required by law to do, I have weighed the question of consumer and retailer interest in this case very carefully.

I have proposed to exclude high-tech sports shoes, which are no longer produced in significant numbers in Europe. I also propose to exclude children's shoes, so as to be sure that even small price rises are not passed on to poorer families.

I know that some are worried about the possible impact on consumer prices. But this case concerns only nine pairs of shoes from every 100 pairs bought by European consumer – a fraction of the product range. A duty would be just over 1.5 euro on average wholesale prices of 8.5 euro and these shoes sell for 40-120 euros.

I believe on the basis of these facts that there is margin within the supply chain to absorb a small duty on import costs by spreading it across product ranges and the distribution chain.

As I have said, these are proposals for provisional measures. They will be discussed with Member States and must be confirmed by the College.

I believe this is a balanced solution that deserves the backing of Member States and of this House. It corrects the injury, but allows maximum predictability for importers and passes on minimal additional costs to consumers. There will be no quotas; no limit at all on import of leather shoes from China and Vietnam.

I have told the Chinese and Vietnamese that I want to work with them to see how they can address the concerns raised by the EU investigation.

Not protectionism, nor ‘the next textiles’

Imposing a duty on dumped goods is not protectionism. It is not a question of asking consumers to subsidise uncompetitive European producers.

Because the easy comparison is too often made, it is also worth being clear that shoes are not ‘the next textiles’.

The textile issue concerned fairly traded textile imports, albeit subject to a dramatic and sudden increase in volume following the lifting of quotas on Chinese textiles on 1 January 2005. In that case we agreed with China how to handle the problems that arose.

Our proposed anti-dumping measures on shoes tackle unfair competition. The European Commission has a legal obligation to investigate such a claim and a legal right to protect European producers against such practice.

Challenges in the footwear sector

Some of your questions addressed the overall situation in the European footwear sector. Let me address this briefly.

The contraction of the footwear sector is a long term process that began long before trade in footwear with China was liberalised in 2005.

Nonetheless, it is clear that there have been winners and losers from this change. Some producers have increased their exports and others – including Turkey and some of the ACP countries have seen their exports to the EU hold steady or fall hold steady or fall.

Clearly, it is China, equipped with a staggering production and export capacity that has benefited most.

Here in Europe, more than 40 000 footwear jobs have been lost and more than 1000 footwear companies have closed down since 2001. European production of leather shoes has fallen by 30% and profit margins have been heavily squeezed to just over 1%.

But we should not pretend that this intense competitive pressure on European footwear producers is related solely to dumped goods.

In large part these are the consequences of changing production and consumption patterns in the global economy. I believe we should accept this, while those affected to adjust.

But we should also acknowledge that European producers have significantly contributed to the change by re-locating their production to Asia in quite a number of cases. As a result, we need to take into account a range of European producer interests in assessing our interests in the matter.

The wider challenge of competitiveness

Rising to the Asian challenge places great demands on our businesses and workers. But politics and policy can take a proactive hand in creating the conditions in which businesses and workers can adapt to economic change.

The Commission's growth and jobs strategy is built on the idea that Europe must commit itself to equipping today's Europeans for tomorrow's jobs.

Initiatives like Günter Verheugen's proposals to strengthen EU manufacturing - following a systematic screening of industrial sectors - can help us shape the next generation of Structural Funds to this important work.

The Commission has also recently proposed the creation of a globalisation adjustment fund of €500 million to be used to provide immediate relief to job losses and business failures linked to globalisation.

We cannot block globalisation and economic change. I do not believe it is in Europe's interest to try. Those who think that the Trade Commissioner can reverse global economic change are asking King Canute to hold back the tide.

But we can shape globalisation; even harness its dynamic potential for renewal and innovation.

I believe that the broader footwear issue confronts us with that imperative.

We must invest in change. Invest in those affected by change. But face up to a changing world.

Of course, too, we must be robust in our defence of the rules, and our defence of fair competition. We need to recognise that if we want to win the wider political argument for free trade, we must be ready to defend fair trade.

But we cannot deny Asia its comparative advantages or the competitive industry that is lifting hundred of millions in the developing world out of poverty.

The only sustainable balance to that competition is the creativity, innovation and commitment of European companies themselves, reinforced with the appropriate help from political authorities.

I am happy to return to any of these points in detail, and to answer points you wish to raise.

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