

**Financial Times**

## **Mandelson rethinks EU stance on dumping**

By FT Reporters

Published: June 7 2006 19:10 | Last updated: June 7 2006 19:10

Peter Mandelson, the European Union's commissioner for trade, has launched a potentially controversial review of anti-dumping measures that increasingly backfire against the bloc's own companies.

Mr Mandelson is keen to increase the flexibility of the dumping regime after his curbs on Chinese textiles last year led to a glut of bras and trousers piling up on the EU's borders. More recent anti-dumping tariffs on cheap leather shoes from Asia have hit European companies that manufacture shoes in Vietnam.

EU consumer organisations, retailers and manufacturers that produce goods in Asia claim the union scored an own goal by punishing countries where Europe has a growing manufacturing presence. Measures against Vietnam, for example, also risk throwing thousands out of work in a country that separately receives EU development aid.

"Globalisation has made trade relations – between companies and between countries – more complex and a lot more interconnected than they were even a few years ago," Mr Mandelson told the FT. "Europe's policy instruments need to reconcile these complexities."

The review could reopen the argument of last year between more liberal trading nations such as Sweden, where retailers opposed higher tariffs, and Italy, which still produces shoes and wanted its companies protected from cheap imports.

Liberals within the bloc want to widen the scope of the so-called "community interest" clause, which gives the trade commissioner discretion not to raise tariffs if anti-dumping measures would harm EU companies or consumers. An attempt to widen this clause by Sir Leon Brittan, a previous trade commissioner, foundered a decade ago on the objections of the more protectionist nations of southern Europe.

To draw some of the political sting, the Commission's trade department is asking outside experts for their views as well as governments of the 25 member states and interest groups.

Cliff Stevenson, a trade consultant who recently reviewed anti-dumping for the Commission, said a review was timely even though the issue "provokes strong emotions on both sides of the debate".

Mr Mandelson hopes to unveil changes to the anti-dumping system by the end of the year. They would have to win the approval of fellow commissioners and then a majority of member states to become law.

Along with other industrialised powers, the EU has become more wary of resorting to anti-dumping measures as it has increasingly been the target for anti-dumping actions itself. “The EU has recognised that everything they do will be done back to their own exporters”, said one trade lawyer. They might well have decided it was better to back their own exporters – generally more competitive companies – than the uncompetitive domestic businesses that competed with imports, the lawyer said.

According to the World Trade Organisation, Brussels launched 24 investigations last year, twice as many as the US but well down from a peak of 65 initiated in 1998. Developing countries now account for two-thirds of new investigations, led by India with 25 and China’s 24 on a par with the EU.

China’s low-cost exports have for years made it a frequent target of anti-dumping actions. According to the WTO, Chinese exports accounted for 33 of the 82 anti-dumping investigations launched by members in the second half of last year.

But Beijing has also been increasingly willing to use its own anti-dumping action to help local companies, and has accounted for 13 of the investigations recorded by the WTO.

Reform of WTO anti-dumping rules is being negotiated in the Doha round of global trade talks.

The US has traditionally been a big user of anti-dumping actions, particularly to protect its steel industry, and there is opposition in Congress to making it harder to bring such actions. But experts say that, if the US gets a good deal on some issues, such as more access to foreign markets for its agricultural exports, it is likely to accept reform of the anti-dumping laws.

“If the US gets a good deal in agriculture, the farmers will run over any opposition,” the trade lawyer said.

“There are 140,000 employees of the steel industry in America and 800,000 cattle ranchers. You do the math.”

*Reporting by Andrew Bounds in Brussels, Alan Beattie in Washington, Mure Dickie in Beijing and Frances Williams in Geneva*