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Asian Shoemakers Get Set To Fight Proposed Tariffs

China, Vietnam Gird For Battle With EU; Legal Help Enlisted

By MEI FONG

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HONG KONG – Shoemakers from China and Vietnam are grouping together in an unprecedented effort to fight the European Union's proposed double-digit tariffs on shoe imports.

One result of such efforts, combined with intense lobbying from retailers in Europe and the U.S.: The EU's proposals are likely to exclude certain athletic footwear, an important distinction affecting the fortunes of some of the world's major footwear names such as **Adidas-Salomon AG** and **Nike Inc.**

In China in particular, manufacturers are beginning to team up to hire extensive legal help when faced with trade disputes. Early this month, eight Chinese shoemakers in southern China formed a coalition to fight the EU's antidumping probe. That number has now swollen to 170 factories, responsible for some 250,000 employees, said Steve Chen, a coalition member and chief executive at Apache Footwear, which produces for Adidas.


Another group made up of more than 20 Vietnamese and Chinese shoemakers has hired U.S. law firm White & Case to represent their interests.

The European Commission, finding evidence of dumping, is expected to recommend duties on imports of Chinese and Vietnamese shoes with leather uppers starting at 4% in April and rising to a little under 20% in the fall. EU officials confirmed yesterday that they will submit their plans to EU member nations on Thursday.

People close to the European investigation maintain that the antidumping duties will affect just 8% of all shoe imports into Europe. But others say it could affect many more. Shoes with so-called leather uppers can include fashion shoes, as well as sports shoes with leather on them.

At first glance these penalties look painful. The European Union imports more than 60% of its shoes from China and Vietnam, worth an estimated US\$4 billion.

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But many in the industry expect the likely duties to exclude a certain shoe category, called special-technology athletic footwear, a description that could cover a lot of high-end sports shoes found in the stores today, say Chinese shoemakers.

That is important because almost two-thirds of the world's sneakers are made in China. Owners of U.S. brands such as Timberland and Nike -- who buy many of their wares from China -- had earlier expressed fears that the duties could hurt their sales and result in higher prices for European consumers.

Much rests on how exporters, retailers and customs authorities define what qualifies as a high-tech sports shoe and what is a fashion shoe. Horst Widmann, president of the Federation of the European Sporting Goods Industry, said the antidumping duties will still apply to 25% of sports shoes produced in Asia after the exemption.

Share prices for the world's largest sneaker manufacturer, Hong Kong-listed **Yue Yuen Industrial Holdings Ltd.**, were relatively unaffected by news of the likely duties, closing yesterday at HK\$23.85 (US\$3.07), up 10 Hong Kong cents, or 0.42%. Analysts say many investors expect that, thanks to the likely exemption, most sneaker makers will be relatively unhurt by the possible penalties.

Yue Yuen makes 180 million pairs of shoes yearly for brands such as Nike, Puma and Rockport and exports 26% of its products to Europe. Company spokesman Terry Yip said some 10% of Yue Yuen's total sales could be affected by any EU duties.

"We remain hopeful the outcome will not be too painful," said Mr. Yip, adding that the company could also shift some production to its Indonesian plant.

If athletic footwear is excluded from the duties, about half of the shoemakers who have hired White & Case are likely to lose interest in the case, said firm lawyer Edmund Sim. But, he noted, 50% of several billion euros worth of exports "is still a relatively big case."

Dumping occurs when an exporter sells his goods below his production costs. In the European Commission investigation, China's and Vietnam's shoe-export costs were measured against those of Brazil, which was chosen as surrogate country because neither China nor Vietnam is considered a developed market yet.

The EU investigation concluded that there were significant differences between production and sales costs for Chinese and Vietnamese shoes. The EU investigation also concluded that producers in both countries received unfair aid in the form of government subsidies and cheap loans.

Chinese and Vietnamese officials have yet to officially comment on the possible duties, although some Chinese officials privately said they might consider lodging a complaint with the World Trade Organization. Vietnam isn't a WTO member.

--Tang Hanting in Shanghai and Juliane von Reppert-Bismarck in Brussels contributed to this article.

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