

THE EUROPEAN UNION IS COURTING ECONOMIC SUICIDE

Is The Shoe On Another Foot ?

The European Union (EU) is quite likely to regret its determination to impose punitive tariffs on leather shoes, manufactured in the People's Republic of China (PRC) and Vietnam.

While the EU claims that these 2 Asian countries are '*dumping*' their shoes on EU markets, behind these claims linger protectionism in its purest form.

Italy and Portugal have long been lobbying the EU to impose punitive measures on the PRC, claiming that the world's most-populous country is flooding Europe with cheaper shoes than can be manufactured in eurozone.

The imposition of punitive tariffs on PRC-manufactured shoes will make Italian and Portuguese shoes more competitive in the marketplace.

Starting April 7, 2006, there will be a penalty for PRC-produced, leather shoes, entering the EU, starting from 4 percent and rising to 19.40 percent, and a tariff of up to 16.80 percent as a penalty, levied against Vietnamese leather shoes, entering the EU.

It is estimated that about 50 percent of all of the imported leather shoes, entering the EU in 2005, were manufactured in the PRC.

The '*punishment*' against the PRC and Vietnam will last until 2011, at least.

The PRC Government has yelled '*unfair!*' and has labelled the statements of Mr Peter Mandelson, the Chief Trade Negotiator for the EU, as being '*groundless*'.

It is alleged by the EU that both the PRC and Vietnam have violated the rules of the World Trade Organisation.

Mr Peter Mandelson alleges that these 2 countries are exporting their shoes to the EU at below cost, suggesting that the governments of these countries, directly or indirectly, are subsidising such exports to the benefit of their industries and to the detriment of the EU's shoe industry.

Between 2004 and 2005, imports of leather shoes, the origin of which was the PRC, rose about 450 percent to about 1.25 billion pairs.

Between 2001 and 2005, the growth was about 1,000 percent, it is alleged.

The effects of the imposition of tariffs on leather shoes, manufactured in the PRC and Vietnam, is that the consumer of the EU will have to pay more for his/her shoes because, clearly, the added cost of importing PRC and Vietnamese shoes will be passed onto the housewife at the High Street.

This will add to the inflationary tendency in eurozone.

Italian and Portuguese producers of similar leather footwear to that, being produced in the PRC and Vietnam, will, in essence, be receiving a type of subsidy by virtue of the punitive tariffs, imposed on the PRC and Vietnam.

As the former Prime Minister of Great Britain so rightly maintained, back in the early 1980s, in order to make the world safer for capitalism, one must topple the concept of the socialistic state.

Mrs Margaret Thatcher broke the back of a number of formerly very strong labour unions of Great Britain, during this 11 years in office (1979-1990) because she pointed out that she saw no benefit in the government, subsidising losing industries in order to keep its workers off the doll.

From the point of view of the PRC, it will, without question, reduce its purchases from the EU as well as its investments in the second-largest market of the West.

Ultimately, trade protectionism backfires on the country, imposing such protection for whatever reason.

Overseas investment in the EU and in the US is essential to the economic health of these 2 markets and the PRC is a large purchaser of bonds in both regions of the world in addition to making direct investments.

The PRC is, also, a large purchaser of capital goods from the EU and the US.

Low trade barriers results in economic strength in market economies.

To close trade doors is akin to courting economic suicide.

The US Government is supposed to be tearing down economic barriers in order to boost economic growth, globally, and, by so doing, reduce much of the poverty in the world.

-- E N D --

***While TARGET makes every attempt to ensure accuracy of all data published,
TARGET cannot be held responsible for any errors and/or omissions.***

*If readers feel that they would like to voice their opinions about that which they have read in **TARGET**, please feel free to e-mail your views to editor@targetnewspapers.com. **TARGET** does not guarantee to publish readers' views, but reserves the right so to do subject to the laws of libel.*

