

RPT-FEATURE-Shoppers face higher prices as EU China duties biteBy **Katie Hunt**

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LONDON, June 2 (Reuters) - A decade ago, Roberta Baker could only afford secondhand clothes for herself and her two daughters. But low-cost imports have helped push prices down and she can now afford to buy new.

"When the children were young, I'd go to charity shops and jumble sales but now you can get a pair of jeans for three pounds," the 52-year-old nurse said while shopping at an east London supermarket.

"This would cost 30 to 40 pounds in a boutique," she said, snapping up a red and orange flared skirt costing 12 pounds (\$22.53) at **Asda**, a unit of U.S. retail giant Wal-Mart .

But soon Baker may have to pay more or simply pass on that impulse buy: retailers are warning that prices could begin to rise because of European Union tariffs imposed on a growing number of cheap Asian-made goods.

They say governments in southern Europe want to block cheap imports and raise prices on the high street to keep European-made products competitive -- a move that could hurt consumers' pockets and retailers' bottom lines.

British shoe retailer Clarks, which makes 60 percent of the 27 million pairs of shoes it sells in Europe each year in China and Vietnam, said duties would reduce profits by 25 percent.

"Retail is a competitive business but yes, in the medium term, you would expect there to be upward pressure on prices," said Martin Salisbury, Clarks' finance director.

Sweden's Ikea, the world's largest furniture retailer which makes 18 percent of its products in China, said it would be forced to raise prices if tariffs were introduced on furniture made there.

RETAILERS STRIKE BACK

Manufacturers -- typically based in Spain, Italy and Portugal -- say Chinese producers are selling goods in Europe at below cost prices -- a practice known as dumping.

In April, the EU imposed anti-dumping duties on leather shoes made in China and Vietnam. The tariffs are being phased in before September, and will eventually rise to 19.4 percent and 16.8 percent, respectively.

A decision on whether tariffs will be extended until 2011 will be taken as soon as July.

Relations between the EU and China were dealt a blow last year by the "bra wars" when Chinese-made clothing and textiles piled up in EU ports as the bloc temporarily halted imports of bras, socks and T-shirts from China.

The row over clothes imports could spread to other sectors.

Italian furniture makers want duties on imports from rivals in Asia, fearing that Chinese

chairs are being sold below cost in the EU's 25 member countries. Analysts say jeans, glass and kitchenware could be next.

The World Trade Organisation has estimated that trade barriers in textiles and clothing alone cost a family of four in the European Union nearly 300 euros (\$380) a year.

The British Retail Consortium has launched a campaign to raise awareness about the danger of higher prices. It hopes to get 10,000 shoppers to sign a petition against dumping duties, to be submitted to EU Trade Commissioner Peter Mandelson.

Mandelson has said anti-dumping measures should be adapted to the complexity of global markets, and has promised to launch a formal review on their use, probably later this year.

He travels to China next week hoping to narrow differences and reduce the need to put up barriers to commerce.

FINDING A BALANCE

Retailers say the crackdown on cheap Asian imports gives producers the upper hand in the world trade arena.

"Politically, producers are considered more important (than retailers)," said Julian Granville, managing director of British catalogue clothing retailer Boden.

Boden shifted around 10 percent of its China production to Hong Kong and Sri Lanka after last year's textile dispute, at a cost of around \$0.50 per garment.

But feelings run equally high among producers.

The European Confederation of the Footwear Industry has said 60,000 jobs were lost and 915 factories closed in 2005 as the sector grappled with a 450 percent rise in Chinese shoe imports.

It argued that anti-dumping duties were necessary and would not affect consumers.

"The importers and wholesalers do not reflect these dumping prices at the level of the consumer. It is more than probable that the anti-dumping duties will not lead to a significant rise of prices for the consumer," the group said.

The controversy over anti-dumping duties is part of a wider debate about how Europe copes with globalisation.

Critics say the bloc operates on an outdated industrial model answering to national interests, whereas today businesses have to slug it out in an international market.

"We've got to decide whether we want basic assembly-line jobs or whether we want better quality employment enabling us to afford more of the things countries like China produce more cheaply," said Salisbury at Clarks.

"Ultimately if we do impose tariffs on too many goods ... we will end up giving ourselves a poorer standard of living."

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