

## REPORT – EIAS LUNCH BRIEFING

### **“Relocation of Productive Capacity and the Built-in Conflict between Producers and Importers in the Home Countries”**

*8 June 2010, 12:30-14:30*

*EIAS, Brussels*

On 8 June, 2010, the European Institute for Asian Studies (EIAS) hosted a luncheon briefing entitled the "Relocation of Productive Capacity and the Built-in Conflict between Producers and Importers in the Home Countries." The ideas here revolved around the built-in conflicts that countries experience between producers and importers.

Four examples were given in order to illustrate the situations these built-in conflicts can produce. In 2004, there was an incident where the European Bicycle Manufacturers Association argued against the European Two-Wheeled Retailers, regarding bicycles that were made in Vietnam. This did not tackle the real issues behind the import of bicycles from Vietnam because they were produced by Taiwanese firms. In 2003, the USA manufacturers successfully implemented quotas for ladies underwear imported from China. Importers in the US protested although there was almost no ladies underwear manufacturing in the USA anymore. In 2006, European steel producers fought for more protection against Chinese steel producers despite the fact that European steel producers were reducing production. Also in 2006, the EU imposed quotas against Chinese leather shoes. This illustrated a rift between northern and southern Member States in the EU and was approved by 9 votes in favour and 12 against, with 4 abstentions being counted as votes in favour, thus passing the measure.

It was observed that protective measures are universal. Although there was emphasis that multinational corporations have changed the dynamic in that regard. While they operate in many countries, their goals are geared to their home markets. Also, it changes the production of goods in the sense that “made in China” does not always means made by Chinese.

During the discussion, it came out that the reason for protectionist measures is that it is a tool used by governments to balance market distortions. In an international system where there are no mechanisms to adjust these distortions, protectionist measures, while not ideal, can be helpful. While it can be misused, it does not mean that anti-dumping is bad in all cases, and in fact, has its uses. It was also discussed that other nations will also be using harmful policies and that it is useful, if not even necessary, to have anti-dumping tools to maintain balance between trade relations.

On the other hand, it was also brought to the attention of the meeting that anti-dumping can be more harmful than helpful, even to domestic industries. In anti-dumping cases, attention should be brought to where ultimately the costs are passed on to.

Another point that was brought into the discussion is the needed emphasis on social responsibility. There are more socially failed states than economically failed states and in order for states to benefit economically from trade, they need social stability. Imposing trade limitations can promote corporate social responsibility.

Throughout the discussion, it became clear that while there are many flaws with today's system, it is currently the best option we have, and we have a responsibility to continue to reform and advance our practices. Further emphasis should be placed on transitioning from mere protection to controlling trade distortions and ensuring stable labour markets.