



**UNIVERSITY OF GOTHENBURG**  
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## **Imports of Footwear to the EU from China and Vietnam**

The impact of antidumping duties on Swedish importers/retailers

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### **Graduate School**

Master of Science in International Business and Trade

Master Degree Project No. 2012:1

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**Abstract:** This paper aims to study the European footwear industry, which in terms of multilateral trade policy was historically subject to the Multi Fiber Agreement, but became integrated within the World Trade Organization within the framework of the Agreement on Textiles and Clothing. The imposition of antidumping duties by the EU on certain footwear originating from China and Vietnam from 2006 to 2011 was, until its removal in 2011, a much debated case. The purpose of this thesis is to investigate how Swedish importers/retailers within this industry have acted in order to cope with these trade barriers.

The Swedish trade policy is coordinated with the other member states of the EU, within the framework of supranational decision making. Thus, this study focuses on the exports of footwear from China and Vietnam to the EU27 and Sweden between 2004 and 2011, in order to investigate whether trade patterns and corporate strategies changed after the antidumping duties phased out.

The study followed a mix of qualitative and quantitative research approach with an exploratory orientation. Empirical findings and analysis is derived from secondary and primary data including interviews with selected Swedish footwear companies, experienced organizations and people within the industry. Findings and conclusions are valuable for companies to cope with existing, expiring or coming trade barriers.

**Key words:**

Antidumping, Footwear, Lobbying, European Union, Import, China, Vietnam, International Trade

## **Acknowledgements**

We would like to express our greatest gratitude to our supervisor Claes-Göran Alvstam for all the support, information, feedback, comment and guidance in writing our thesis. We would also like to thank Joakim Lennartsson at the university library for his patience and guidance in collecting statistical data for the report. We want to thank the companies and individuals who cooperated with us and were willing to spend time answering questions and giving us valuable insight in our field of research, supporting our statistical findings.

Also, we are very grateful of the comments and feedback given to us during the opposition in order to put the finishing touches on our report.

*Caroline Andersson & Vaia Karadimou*

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## **Abbreviations**

AEDT	European Association of Fashion Retailers
ASEAN	Association of Southeast Asian Nations
ATC	Agreement on Textiles and Clothing
BEUC	European Consumers' Organization
BDCC	Buyer Driven Commodity Chain
CN	Combined Nomenclature
CSR	Corporate Social Responsibility
EC	European Commission
EU-EU27	European Union
GATT	General Agreement on Tariffs and Trade
GCC	Global Commodity Chain
GVC	Global Value Chain
GPN	Global Production Network
GSP	Generalized System of Preference
HQ	Headquarters
HS	Harmonized Commodity Description and Coding System
IMF	International Monetary Fund
MFA	Multi Fiber Agreement
NME	Non-market Economy
OECD	Organization for Economic Cooperation and Development
PTA	Preferential Trade Agreements
RDD	Research, Design & Development
SITC	Standard International Trade Classification
TARIC	Integrated Tariff of the European Communities
TBT	Technical Barriers to Trade
UN	United Nation
WTO	World Trade Organization

## **CHAPTER 1: INTRODUCTION**

*In this chapter we present the problem background and discussion highlighting the underlying reasons and forces that inspire this research. Subsequently, the research problem is presented. Thereafter, the purpose of this thesis is described and the research question with sub-questions is formulated, followed by its delimitations.*

### **1.1 Background**

The European Union (EU) consists today of 27 countries (Member States), with an approximate population of 500 million. The Single Market created by the EU is considered a great achievement as it helps the EU to act as an entity. Furthermore, the EU is the world's largest trading block, which makes it one of the big players in the World Trade Organization (WTO) (European Commission, 2012a; EU-upplysningen, 2012). The WTO came to existence on January 1995 as a successor of the General Agreement on Tariffs and Trade (GATT) 1947. The WTO manages all trade agreements that have been negotiated by the Members and provides the framework in which trade in goods, services and intellectual property takes place (Barth et al, 2007; Van den Bossche, 2008). The WTO rules and procedures set forth the requirements to market access as this is the main prerequisite for international trade to exist. With its multilateral trade negotiations, such as the Doha Development Agenda, WTO aims to reduce the trade barriers and deepen the openness of global trade (European Commission, 2012a; Van den Bossche, 2008).

For many decades, the textiles and clothing sector (including the footwear industry which will be the focus of this study) was exempted from the trade liberalization in goods. The Multi Fiber Agreement (MFA), an international regulatory framework was first negotiated in 1974 between some developed and 31 developing countries and lasted for 30 years. That had as a result to restrict exports from developing countries and kept them at low levels (Dicken, 2011). In 1995, the MFA was replaced with a new agreement, the Agreement on Textiles and Clothing (ATC), aiming at integrating the sector in the WTO framework and eliminating the quotas over a 10 year transition period. This meant that quotas and other restrictions would be removed by December 2004 (Bair, 2008; Dicken, 2011; Mavroidis, Bermann & Wu, 2010). On January 1995, 16 percent of all products imported by the WTO Members in 1990 were integrated into the GATT rules, followed consecutively by 17 percent of the same total on January 1998, 18 percent on



January 2002 and leading to the integration of all products by January 2005 with the termination of ATC (Mavroidis et al., 2010).

The EU is a major player in the global market of footwear. It is a key producer and the second largest exporter of high quality and high value fashion shoes, realizing global exports of 4.9 billion EUR and imports of 13.5 billion EUR in 2010. The European footwear industry remains a highly competitive industry despite the fact that low-priced imports are gaining share in the market, which led to the imposed antidumping duties from 2006 to 2011 to counteract unfair competition from China and Vietnam (European Commission, 2012b). Several studies have shown that the EU's barriers to trade, such as antidumping duties, do not favor the economy. One recent example is the new antidumping duties on porcelain, pottery and ceramics originating from China, whereby the antidumping duties are expected to cost Swedish consumers million of SEK and increase prices dramatically, bringing a net loss for the Swedish economy and employment opportunities. That is why Svensk Handel and Sveriges Konsumenter want the Swedish government to demand the EU to remove these old fashioned protectionist measures (Dagens Industri, 2012). The above situation can be expressed to the situation of antidumping duties on footwear products originating from China and Vietnam. The tariff rates on those products were respectively 16.5 and ten percent. The third country duty for leather shoes imported to the EU from China is eight percent and for textile shoes 17 percent. The combined third country duty and antidumping duty is 24.5 percent on leather shoes. When the antidumping duty was introduced, Vietnam was entitled to the use of Generalized System of Preferences (GSP). Thus, the duty paid in the EU for Vietnamese leather shoes was only 4.5 percent. For textile shoes Vietnam paid a duty of 13.5 percent. The combined GSP-duty rate and the antidumping duty was 14.5 percent for leather shoes, as seen in table 1. Furthermore, a shoe is defined as leather shoe if it has an upper that is 51 percent leather or more. This means that there

**Table 1 ADD and 3rd Country Duties (percentage)**

	<b>China</b>	<b>Vietnam</b>
3rd Country Duty (Leather shoes)	8	4.5
3rd Country Duty (Textile shoes)	17	13.5
ADD (Leather shoes)	16.5	10
ADD+Leather Shoe Duty	<b>24.5</b>	<b>14.5</b>

Source: Created by authors based on data provided by Weyler Consulting, 2012.

was a great incentive for manufacturers in China to remodel a leather shoe into a textile shoe, thus only paying the 17 percent duty instead of 24.5

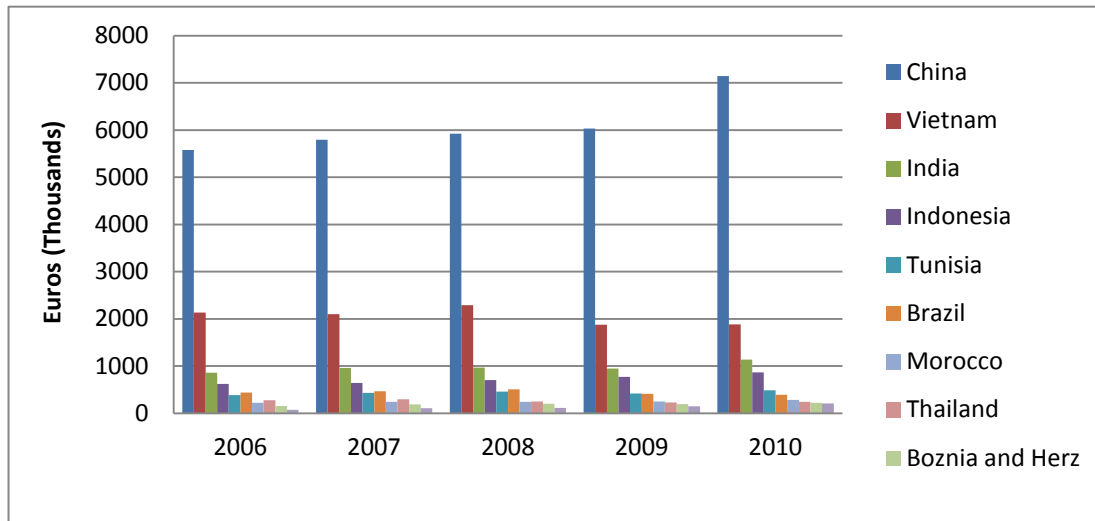
percent. Vietnam had much less incentive to do so, since the 13.5 percent duty is not much lower than the original 14.5 percent (Weyler, 2010). **Appendix A** shows the current tariff level of certain products that were affected by the antidumping duties between 2006 and 2011. The third country duty that still exists varies depending on the product.

### *1.1.1 The footwear industry*

Footwear is perceived as a low technology and standard labor intensive manufactured product in which comparative advantage exists. However, certain segments are characterized by high level of knowledge when it comes to the production process, which requires specialized workforce. Due to increasing globalization and additional competitive pressures, this has decisively shifted from developed countries to low wage developing countries, such as China and Vietnam (Brenton, Pinnao & Vancauteran, 2000; Kommerskollegium, 2012). Footwear can be segmented by gender (i.e. men's, women's and children's shoes), specialized products (i.e. snowboard boots and working or protective shoes), price, design and quality. In addition, a shoe can be made by different types of materials such as leather, plastic and rubber, while fashion adaptation and customer orientation are the keys that drive the sector (European Commission, 2012a; Kommerskollegium, 2012).

The footwear industry is a sector that has recently become target of much attention due to the debated antidumping duties against Chinese and Vietnamese exports to the EU27. According to Kommerskollegium (2007), in 2003 75 percent of all shoes purchased by end consumers in the EU were actually imported rather than produced in Europe. Until the end of 2004 Europe had import quotas against China, which were removed, thus increasing China's share of exports to Europe from 50 percent in 2004 to 65 percent in 2005. This is why some European producers wanted to protect the domestic industry against what they felt was unfair competition. As shown in figure 1, China's share of footwear imports into the EU27 has seen a steady increase from 2006 to 2010, while the remaining top exporters (except for India and Indonesia which experienced a slight increase) have actually decreased in their share, in terms of value during the same period. The second largest supplier is Vietnam, although its exports have declined slightly during the same period. Furthermore, this data strongly supports the notion of the increasing growth of exports from developing to developed countries.

**Figure 1 Top ten EU27 suppliers of footwear from 2006 to 2010**

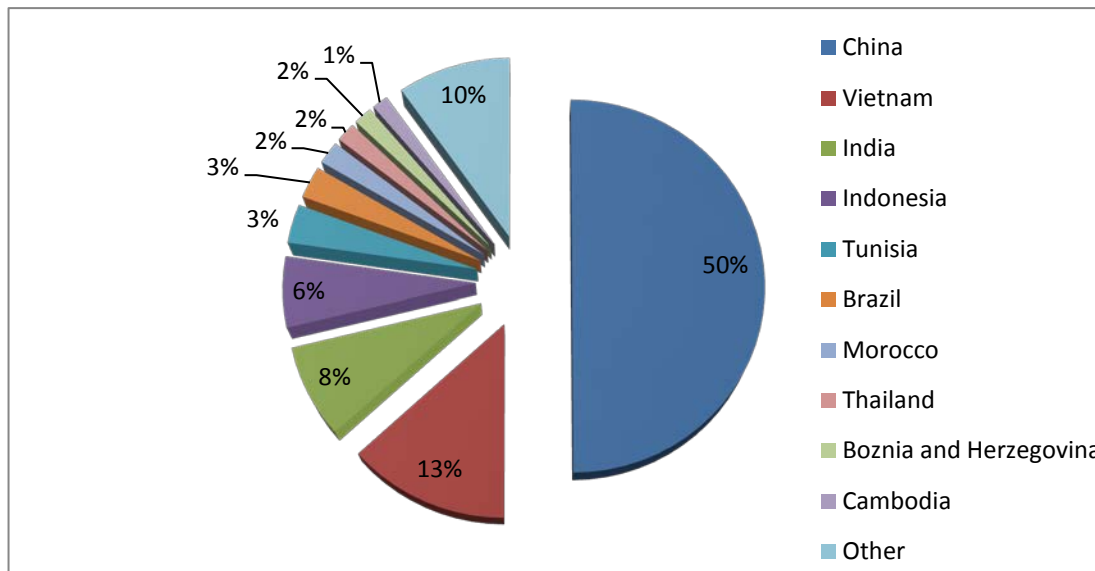


Source: Created by authors based on data by European Commission, 2012a.

\*Note: Footwear is defined as Combined Nomenclature (CN) 6401-6405 in the EU system.

Figure 2 shows the share of the top ten suppliers of footwear to the EU27 in 2010. China and Vietnam dominate the market, accounting for almost 65 percent of all imports into Europe.

**Figure 2 Share of top ten EU27 suppliers of footwear in 2010**

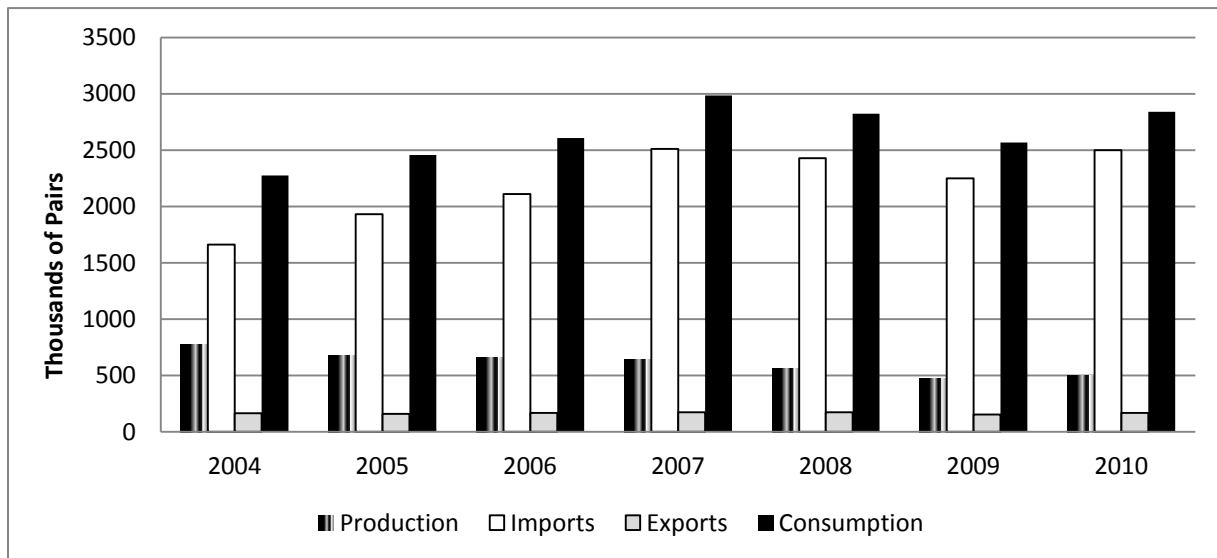


Source: Created by authors based on data by European Commission, 2012a.

\*Note: Footwear is defined as CN 6401-6405 in the EU system.

Figure 3 illustrates the trend of the EU27 production, consumption and external trade of footwear since 2004, two years prior to the introduction of the antidumping duties, up to 2010. According to data from European Commission (2012a), the EU27 production experienced a negative growth, while the EU27 consumption and imports experienced a positive growth, and exports remained the same. Kommerskollegium (2012) interprets that the European footwear industry is in a state of decline as a result of the increasing Asian competition, while the growing import penetration covers the majority of the consumption needs.

**Figure 3 EU27 production, imports, exports and consumption of footwear from 2004 to 2010**



Source: Created by authors based on data by Eurostat, 2012b.

\*Note: Footwear is defined as NACE (Revision 2) 15.2 in the EU system.

### 1.1.2 The European footwear industry

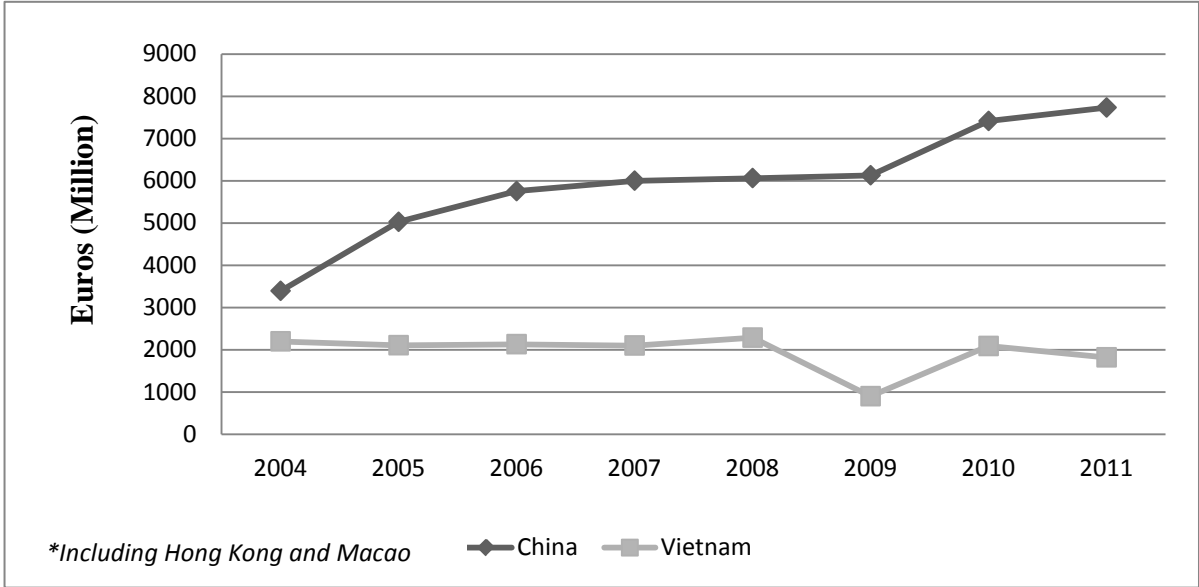
Most of the shoe production in Europe is concentrated to a few countries with Italy being the largest producer, followed by Spain and Portugal and also lately by Romania and Slovakia as Eastern European countries account for more and more outsourcing of production (Kommerskollegium, 2007; O’Konor & Bagle, 2011). The European footwear industry has, however, experienced fierce competition and pressure from the emergence of low cost footwear produced by cheap labor in developing countries, a fact which can easily be supported by official statistics. In 2006 the European footwear sector included 26,600 companies generating 26.6 billion EUR in turnover and 6.9 billion EUR in added value, while employing 388,000 people. In

2008 these figures had changed due to decreased production: the number of companies declined by 26,600 to 24,000, employing 325,700 people (European Commission, 2012a).

Nowadays, the European production is concentrated on higher value added footwear products, in terms of quality, comfort, design, eco-fashion, innovation and niche markets, disregarding mass production (Andersson & Thuresson, 2008; European Commission, 2012b). At the same time, the European footwear industry is taking advantage of scale economies by subcontracting and relocating labor intensive and less value added operations to low cost countries, mainly located in Asia (De Bievre & Eckhardt, 2010).

Figure 4 shows the changes in import of footwear to the EU27 from China and Vietnam from 2004 until 2011. The value of imports from China has increased while that of Vietnam has decreased slightly during the same period.

**Figure 4 Imports of footwear from China\* and Vietnam to the EU27 from 2004 to 2011**



Source: Created by authors, based on data by Eurostat, 2012a.

Note: Footwear is here defined as SITC 851 in the UN system.

## 1.2 Problematization

The emergence of China and Vietnam posed a great threat to the southern regions of Europe which still retain production facilities. Their interests clash with the more liberal tendencies of other regions, especially in the northern regions of Europe, which for a long period of time have outsourced labor intensive production to developing countries, as a competitive source of low cost goods. Many of them have important retail sectors that rely on imports to maintain margins, or important manufacturers that rely on sourcing production to China to maintain profits (Curran, 2009). Thus, the new unlimited sourcing from China and Vietnam created opportunities for some companies, while others worried about unfair competition and the quality of the low cost imported products (Eckhardt, 2010; Kommerskollegium, 2012). Those European firms which depend on Chinese imports of low cost shoes, mainly located in the Netherlands, Belgium, Scandinavia and UK, welcomed the quota expiration (Eckhardt, 2011; O’Konor & Brange, 2011). EuroCommerce, a European retailers’ lobby group, also argued that in a globalized economy antidumping was a thing of the past. Trade defense instruments need to be revised in order to deal rationally with the emergence of global production chains in where low cost emerging economies, such as China and Vietnam, have a key role (Curran, 2009). Those European firms are large actors and can easily adjust their corporate strategy to deal with the increasing imports. They also created the European Footwear Alliance to increase their political power, which is formed by three federations: the European Sporting Goods Industry, the European Outdoor Group and the European Association of Fashion Retailers (AEDT) (Eckhardt, 2011; O’Konor & Brange, 2011).

The European firms which compete with Chinese imports in the European market, mainly located in Italy, Spain, Portugal, Slovakia, Romania, Poland and Bulgaria, faced many problems from the sharp surge of footwear imports (Eckhardt, 2011). These firms are usually smaller in size, and likely to mobilize for the following reasons: they face high certainty of losses of revenues; they are consisted of limited number of firms who often are geographically concentrated; and they have standing organizations for political actions, such as the European Confederation of the Footwear Industry which helped them to act politically and support restrictions on Chinese and Vietnamese imports (See **Appendix D** for a list of the European and Swedish Federations). These firms could also re-adjust their corporate strategies, by either

relocating production processes or specializing in niche markets, but these options were too risky and expensive in relation to the small size of the firms, thus the only possible strategy they had, was to mobilize politically and request for antidumping measures (Eckhardt, 2011; O’Konor & Brange, 2011).

A full antidumping investigation was initiated for the imports of footwear from China and Vietnam, which led to the implementation of a provisional measure in March 2006 and a definitive duty in October 2006 on imports of leather shoes of 16.5 percent against China and ten percent against Vietnam (Kommerskollegium, 2007; Rovetta & Senduk, 2011). In October 2008, the European Commission (EC) reviewed the antidumping case and decided in December 2009 to extend the duty on leather shoes imported from China and Vietnam for another 15 months (Vandenbussche & Viegelaahn, 2011). As of 1 April 2011 and after China’s complaint to WTO, the antidumping case was expired (Eckhardt, 2011; O’Konor & Brange, 2011). A couple of months ago, in February 2012, the European Court of Justice also decided to judge in favor of four different Chinese companies: Brosmann Footwear, Seasonable Footwear, Lung Pao Footwear and Risen Footwear regarding the antidumping duties on leather shoes originating from China. In the European antidumping case on footwear, the EC treated China as a Non Market Economy (NME), however, these companies have asked to be identified and treated as market economies, a fact that the Court agreed with. This means that importers that purchased shoes from any of these companies are allowed to fill a request for paid antidumping duties between 6 October 2008 and 31 March 2011 (Deloitte, 2012).

The footwear antidumping case was not just one of the most politicized cases, but also the import duties were lower and shorter in duration compared to most other European antidumping cases. The duties imposed against footwear imports from China and Vietnam accounted only for 16.5 and ten percent respectively, where 30 to 40 percent is the norm and lasted for two instead of five years. Also, there were no duties imposed on children's shoes and on Special Technology Athletic Footwear (Curran, 2009; De Bievre & Eckhardt, 2010).

### **1.3 Purpose and Research Question**

The aim of this thesis is to investigate how Swedish importers and retailers within an industry, which is historically protected by trade barriers, act in order to cope with these barriers. The chosen sector is the footwear industry. An important presumption of the thesis is that the Swedish trade policy is coordinated with the other Member States of the EU within the framework of supranational decision-making, and that the interests of Swedish importers/retailers may not be fully reflected at the EU level.

In order to fulfill the purpose the following research question is formulated:

*What have been the impacts of the European imposed antidumping measures and other technical barriers to trade (TBT) of footwear on Swedish importers/retailers in terms of trade patterns and corporate strategy?*

Furthermore, we formulated three related sub-questions:

**Sub Question 1.** *Has the European trade policy affected the strategic behavior of the importers/retailers when it comes to countries of purchase, prices, qualities, market segments, organizational purchasing etc?*

**Sub Question 2.** *Have Swedish importers/retailers taken active steps to influence the Swedish government and/or the EC in this respect, and, if this is the case, have these measures been successful?*

**Sub Question 3.** *What steps will be taken if and when the present trade barriers will be removed compared to their present strategic behavior? What are the alternatives?*

### **1.4 Delimitation**

Much research has been done in the European antidumping case of footwear imports. As already mentioned above, this case has attracted much attention due to its strong political mobilization and the different societal interests of the European Member States. The antidumping case is also interesting to analyze since it resulted in losses for European importers, or import dependent firms, and benefits for European producers, or import competing firms. Kommerskollegium (2007) argues that the benefits are not equally distributed to all European producers. Domestic traditional European producers benefit most, while those that are globalized and have outsourced



a part of their production to remain competitive, and/or depend on exports, are also damaged by antidumping measures. Thus, the antidumping case had different impacts on different European actors.

The coverage of this study is limited to the impact of large Swedish importers and retailers, from 2006 when the antidumping measure was implemented, up until 2011 when the antidumping measure expired. According to Eckhardt (2011), this was the first time where large retailers created lobbying groups and acted politically to influence the antidumping investigation and the trade policy decision-making process. So, the objective of ours is to find out how the Swedish importers/retailers have been affected by the European protected trade policy. In addition, we want to investigate whether, and to what extent, they have been successful in influencing the decision making process of the EC.

We have collected data from 2004 and onwards, in order to see if there have been any changes in trade value before 2006 until 2011, which is when the antidumping duties was in place. We chose to focus on China and Vietnam as these two countries were the only ones targeted by the antidumping duties and also their exports constituted a significant share of the total value of imports to the EU27. We assume that the situation in Sweden will mirror that of the EU27. The fact that most retailers in Sweden have their headquarters (HQ) in close proximity to Gothenburg has allowed for access to primary data in the form of interviews with selected companies.

In regards to the type of footwear we are focusing on, we are limiting the study to those types of footwear which the general retail stores in Sweden offer. By doing so, we are excluding certain special footwear, such as snowboard boots and protective footwear, workers' footwear and other industrial footwear, athletic and sporting shoes as well as children shoes. In our concept of importer/retailer we also include Vagabond International AB, which can also be thought of as a wholesaler. However, we will refer to them as a retailer in this report, since it is the last and smallest part of the distribution chain. Therefore, Vagabond International AB and Nilson Group AB are the two main retailers in Sweden offering casual footwear with varying quality and segments, however, a large proportion of their shoes are still included in the group of shoes affected by the antidumping duties.

We assume that there are both direct and indirect importers from the targeted countries. However, we decided to delimit our research on the direct importers, those that import directly from China and Vietnam and not through third countries and channels.

### **1.5 Thesis disposition**

Chapter one comprises the background discussion, the problematization followed by the purpose of the study, its research questions and its delimitations. Chapter two presents the conceptual framework that contextualizes the paper. The literature review starts with the value concept and the development of the global value chains and global production networks while discussing those in relation to the footwear industry. Furthermore, the theoretical framework continues into trade policy issues and, further goes into detail about the European lobbying including different actors and interest groups in the European and Swedish shoe industry. Chapter three provides an overview of the methodological design we used when we approached the research phenomenon as well as steps taken to assure reliability and validity. Chapter four outlines the empirical findings. In Chapter five we analyze our research findings and the business strategies in a broader context. Chapter six concludes the paper and discusses suggestions for further research.

## **CHAPTER 2: THEORETICAL FRAMEWORK**

### **2.1 Introduction**

*In this chapter three theoretical frameworks will be discussed. The first refers to the global value chain and global production networks along with their application in the footwear industry. The reason we adopted that framework is that we want to understand where in the value chain our product under study is located and where its value added is generated. The second theoretical framework we take is the trade policy theory. Footwear is a globally traded product and therefore, trade policies may affect a firm's corporate strategy. Finally, we adopt lobbying as a third theoretical framework in order to gain knowledge about how different actors involved in the footwear industry may influence indirectly and informally the trade policies that govern the trade of footwear. The overall objective of the theoretical framework is to provide a basis for the analysis and support our empirical findings.*

#### **2.1.1 Related work**

Considering that the antidumping footwear case had been a much debated issue, there is also a number of reports and theses in the subject area, which is important to identify in order to avoid researching what has already been written. This is also important in the delimitation process, to explain why or not a specific matter was brought up and also to identify suggestions for further research.

A report prepared by the National Board of Trade has investigated the effects of the antidumping and whether it damaged the supply chains of globalised European companies in regards to value added activities (Kommerskollegium 2007, 2012). Andersson and Thuresson (2008) examined the effects of antidumping imposed on footwear from China, from 1997 to 2002, and whether this had negatively affected the value of imports compared to the rest of the world. Arenander and Safar (2006) have written a similar thesis to ours, but with a more futuristic angle as it was written when the antidumping had just been put in place. O'Konor and Brange (2011) wrote about the effects of the antidumping of shoes originating from China and Vietnam, focusing on trade diversion to a third country as a possible effect of the antidumping duties.

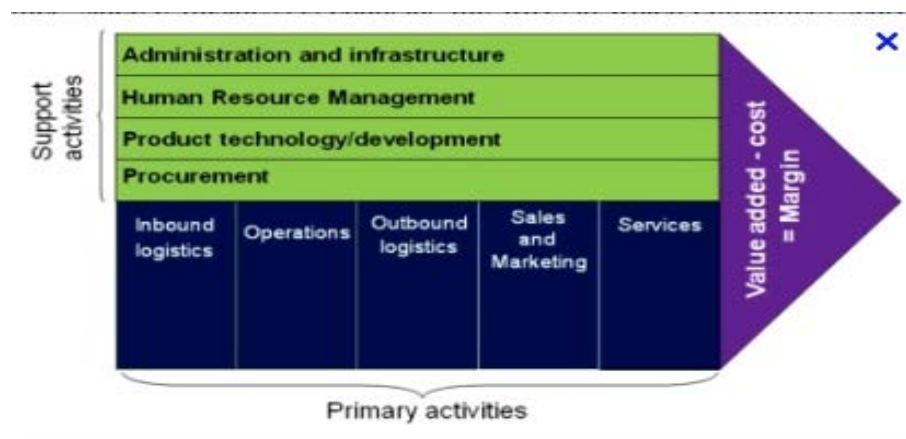
## 2.2 Global value chain and global production networks

The world economy has changed to a great extent over the past decades. Globalization of production and international trade are considered the main features that have fueled the growth of industrial capabilities in a wide range of developing countries and promoted the disintegration of production. Nowadays, companies struggle to compete in an environment of intense competition, thus they have to redefine their competencies to survive (Feller, Shunk & Callarman, 2006). They focus on innovation and product strategy, marketing and the highest value added segments of manufacturing, while increasingly outsourcing non-core competencies (Fuerst, 2010). Because of this, international production sharing, international economic networks and an array of network forms of governance started to emerge (OECD, 2007).

### 2.2.1 The concepts of global commodity chain and global value chain

The value chain is a strategic concept arising from the strategic theory of firm competition. In order to understand the sources of a firm's competitive advantage, Porter (1985), along with other scholars, introduced the value chain framework by which a firm is disaggregated into its strategic activities. The authors state that each firm is a collection of activities that are performed to design, produce and market, deliver and support its product. As can be illustrated in figure 5, every firm's value chain is composed of nine generic categories of activities, tied together.

**Figure 5 Value chain framework**



Source: Porter, 1985.

Porter (1985) argues that the way a firm performs their value chain activities reflect its history and strategy. Take for instance firms from the same industry: they have similar a value chain, but

a firm's strategy may differ from that of its competitors, in terms of product line, geographic areas and distribution channels. Sturgeon (2001: 11) defines the value chain as "*the vertical sequence of value added activities leading and supporting end use*". Gereffi, Humphrey and Sturgeon (2005: 79) state that the value chain is "*the process by which technology is combined with material and labor inputs, as well as the process by which the processed inputs are assembled, marketed and distributed*".

The value chain framework lies in the sequential and interconnected structures of the primary and supporting activities, where each linkage adds its value to the production process. Yet, the framework is limited to the boundaries of the firm and does not pay attention to issues of corporate power and institutional contexts, in which the firm chain activities are embedded (Henderson, Dicken, Hess, Coe & Yeung, 2002). Therefore, Gereffi and Korzeniewicz (1994) (cited in Gereffi, 2011) introduced the concept of Global Commodity Chain (GCC) to link the value chain with the global organization of industries and understand how those global industries are organized (Cruz & Boehe, 2008). While the commodity chain is a set of activities involved in all steps of the production process, the GCC refers to the sets of inter-firm networks, which are clustered around a product. On the one hand, these networks connect manufacturers, suppliers and subcontractors, and on the other hand, they connect international markets. In addition, they determine the degree of social integration of organizations in the world economy (Bair, 2005; Gereffi, 2001; Henderson et al., 2002). Coe, Dicken and Hess (2008a) and Henderson et al. (2002) state that, although the GCC framework incorporates the actors involved in the inter-firm networks, in the production and distribution process and states the relationships developed among them, it leaves out trade unions and non-governmental organizations.

Furthermore, the GCC framework pays attention to the chain coordination as a source of competitive advantage and to the power exerted by the lead firms. There are two forms of power or governance in the commodity chains: the producer-driven commodity chain and the buyer-driven commodity chain (BDCC) (Gereffi, 2001). Mahutga (2012) explains that the producer-driven commodity chain and BDCC are similar to the extent that both reflect the most optimal location of economic activities, but differ in the height of entry barriers, which affects the proportion of the manufacturing that remains within the formal boundaries of the lead firms as

well as the geographic scope of outsourcing. A BDCC can be considered as more global as it tends to externalize a greater share of manufacturing and have a larger base of capable suppliers (ibid.).


However, since the footwear industry is a typical case of a BDCC and this is the topic of this study, we will focus only on this type of commodity chains. Gereffi (2001) state that a BDCC includes the labor intensive industries that produce consumer goods, and in where retailers have a key role when it comes to the creation of decentralized production networks in exporting countries, especially in the developing world. The production is carried out by tiered networks of suppliers who manufacture products for foreign buyers. Before manufacturing begins, the global buyers, such as large retailers and branded marketers, give the outline of the ordered products. They seek to increase profits by spending much in Research, Design and Development (RDD) as well in marketing. They act as brokers, who actually link the factories in the exporting country with the consumer demands in their own market (ibid.).

The most important players, the lead firms or global buyers, use chain coordination to create a highly competent supply base upon which global scale production and distribution systems are constructed. In addition, they can and do exert a high degree of control or power over spatially dispersed value chains, even without direct ownership of production, transport or processing facilities. Those lead firms or global buyers, even not engaged directly in manufacturing, but in stages of design, marketing and retail, have a pivotal role in the formation of globally dispersed and organizationally fragmented production and distribution networks (Gereffi, 2011). Thus, a BDCC contains a competitive production system and low entry barriers to manufacturing, which allows the lead firms to offshore the majority of manufacturing activities (Mahutga, 2012).

The Global Value Chain (GVC) goes also beyond the limitation of the commodity chain and looks into issues of industry organization, coordination, governance and power in the chain (Gereffi, 2011). It is concerned, like the GCC, about the governance structure, but also about the institutional context in which different sectors are embedded on (Coe et al., 2008a; Cruz & Boehe, 2008). The governance structure refers to the power and authority exerted by the lead firms, who impose the boundaries under which others in the chain operate. The lead firms also determine the distribution of the value added along the chain and the resource allocation within

the chain (Bair, 2008; Hess, 2008). The institutional context refers to the rules that govern the operations of a chain of an organization (Bair, 2008). The GVC conceives the lead firms as the core drivers in a segmented production system, while considers the economic globalization an uneven geographical event associated with increasing levels of specialization, disintegration of production and changing patterns of ownership (Gibbon, Bair & Ponte, 2008). Gereffi et al. (2005) argue that the main determinants of the mode of governance and power distribution in a GVC are the complexity of transactions, the ability to codify transactions and the capabilities of the supply base. He also developed three new governance typologies between the market and hierarchy network forms of governance: the modular, relational and captive value chains. According to his study, the lead firms can increase, for instance, the complexity of transactions when they place higher or more complex demands on the value chain, such as just-in-time supply or increasing product differentiation. This can be easily understood in the following table 2.

**Table 2 Key determinants of GVC types and governance**

Governance type	Complexity of transactions	Ability to codify transactions	Capabilities in the supply-base	Degree of explicit coordination and power asymmetry
Market	Low	High	High	Low
Modular	High	High	High	
Relational	High	Low	High	
Captive	High	High	Low	
Hierarchy	High	Low	Low	High

Source: Table created by authors, based on Gereffi et al., 2005.

### *2.2.2 The concept of global production network*

The concept of network was introduced to understand the complex global economy in which most companies operate. Sturgeon (2001: 11) defines the production network as “*the set of inter-firm relationships that bind a group of firms into a larger economic unit*”. The aim of a production network is to transform inputs into outputs and create value throughout the whole production process and the stages of transformation, distribution and final consumption. The production network refers to a sequential process and captures the set of horizontal and vertical ties between its nodes. It includes all interdependencies both between firms within an industry and between firms in different layers (Coe, Dicken & Hess, 2008b).

The Global Production Network (GPN) is expanded outside the firm’s boundaries and national boundaries and incorporate elements from different countries (Hess, 2006). Hess (2008) states that GPN are integrated economic, political and incoherent structures which are characterized by structural stability, but they are exposed to challenges by firm and non-firm actors. Those actors can be national and international institutions, trade unions, state organizations, non-governmental organizations that exert influence on corporate behavior. For instance, civil society organizations can control a firm’s behavior towards a more acceptable corporate social responsibility (CSR) (Hess, 2006). The author argues that the value chain framework is important to the development of the GPN because it provides both the concept of value and how this is created, enhanced and captured and also identifies the interdependence between the economic activities needed to the production process (ibid.).

The GPN approach is a broader framework that goes further than the GCC/GVC frameworks. All three frameworks are concerned about the nexus of inter-connected functions, operations and transactions through which a product is produced, distributed and consumed. However, the GPN is not such linear process as the GCC/GVC and integrates all forms of network structures. Moreover, the GPN is not restricted in the governance of inter-firm transactions but includes all relevant sets of actors and their relationships (Coe et al., 2008b).

### *2.2.3 The application of GVC/GPN framework in the footwear industry*

As was pointed out above, globalization and international trade have caused major changes in the global manufacturing in terms of dispersed production and integrated networks. Manufacturing in traditional sectors such as textiles and clothing, leather and footwear have also been affected



by those trends (Amighini & Rabellotti, 2003). Those types of industries featured by low technology and labor intensity are the main engines of growth, development and trade in both developed and developing countries. The manufacturing in footwear industry, for instance, is characterized by mechanization and standardization, high employment rates and high revenues (Lowder, 1999). According to the GCC/GVC approach, the footwear industry is a typical example of a BDCC. Thus, the industry has a highly competent supply base, low entry barriers to manufacturing and outsourced a high rate of manufacturing activities (Bair, 2008). The production outside the country of origin is quite profitable, as the transportation sector is continuously improved (Lowder, 1999). All these factors paved the way for developing countries to enter the industry and undertake the mass production of shoes, while developed countries managed to upgrade their value chain by outsourcing noncore competencies and maintaining core competencies at home (Fuerst, 2010; Lowder, 1999).

The geography of manufacturing in the footwear industry is shaped by the corporate strategies and the sourcing decision of the lead firms which drive the chain. The institutional context with the trade rules that govern the international trade of the sector and its governance structure were subject to the MFA for over 30 years (Bair, 2008). During that time, the footwear realized a widespread location of its economic activities, developed network forms of organization and became involved in international subcontracting and production sharing arrangements. The networks were either small establishments producing footwear in dense locational agglomerations, or large establishments in spatial isolation from other establishments in the same sector (Scott, 2006). Thus, the quota under the MFA has fueled the creation of GPNs, while the quota expiration in 2005 in accordance with the WTO and ATC shifted the institutional context and the governance structure of the sector (Bair, 2008; Gereffi et al., 2005).

The quota phase out and the subsequent economic recession represented a shift in the institutional context, which consequently was reflected in the transformation of the governance structure of the existing footwear value chain. Those events resulted in more consolidation of the footwear sector, where production concentrated in the most capable firms. The lead firms, who manage the global sourcing networks, are now focusing on fewer and more capable suppliers in few strategic low cost production countries. China has become the big winner while Vietnam and

India, among others, continue to expand their importance in the industry. The consolidation process shifted the governance structure by increasing the ability to codify transactions and the improvements in the supply base, thus enhancing the efficiency of the footwear value chain (Gereffi, 2011).

According to European Commission (2006a), the above mentioned changes in the footwear industry could affect shoe products in terms of choice of purchasing country and lead times, especially when considering that footwear is controlled by fashion and season. A footwear product is purchased by retailers and importers and its price to the end consumers is determined at the time of purchase. Those lead players are often committed to a price for their order made from instance, in China and Vietnam, and which may not be delivered until later on. Thus, changing suppliers or even exporting country is not an easy task as, even not take lots of time and effort, results in high costs. The footwear is a product controlled by fashion and season and thus lead times are extremely important. When the order is already made and delivery is immediate, it is because of lead times not possible to search for new suppliers. Prior to a new season, the shape of the product must be determined, as does the type of the material to be used, the supplier of raw material to be chosen, and certain tools and samples must be also determined ahead of time. All these circumstances regarding the footwear industry result in long lead times between order and delivery. This also implies that retailers and importers must plan in advance, thus any shift to the institutional context and any change in terms of trade might be detrimental.

#### *2.2.4 Summary of the GVC/GPN theoretical framework*

The present complex global economy is characterized by international trade, increasing levels of specialization, disintegration of production and changing patterns of ownership. This environment has forced the development of the GVC/GPN concept to help us understand the organization of today's global industries together with issues regarding coordination, governance and power in their chains. The GVC/GPN framework has its origin on the value chain concept. However, it goes further to include the interdependencies among interconnected functions, operations, transactions as well as among firm and non-firm relationships. The GVC/GPN framework applies to the global footwear industry due to increasing outsourcing and global supply of footwear products. The footwear industry is a BDCC and hence it is featured by competent supply base, labor intensity, international subcontracting and production sharing

arrangements. Even though its products are related to mechanization and standardization, certain segments, mainly high-end segments, are characterized by need for specialized knowledge. Retailers and importers are the most important players who exert power, make the orders and spend much in RDD. The institutional context of the industry has shifted since the MFA expiration in line with the WTO and ATC, which led to a subsequent shift of the governance structure towards a more capable supply chain. Changes therefore in the context or structure affect where the product is located and the value added is generated. In order to understand them, a deeper look into the current state of the trade environment is needed, thus the next section will discuss the topic of trade policy, followed by lobbying which further goes into detail about the different actors and interest groups in the European and Swedish footwear industry.

### **2.3 Trade policy**

International trade has grown steadily since the Second World War. The progressive liberalization and the openness of trade together with the decrease of transportation costs accelerated the foreign sales beyond national boundaries. Many theories developed to promote the benefits of international free trade and also identify the national governments as important players, since they can control a country's competitive advantage and change it through public and trade policies (Trebilcock & Howse, 2005). International free trade exists when the access to foreign markets is open and free from restrictions. Although the WTO law governs the rules to market access and recognizes the benefits of the international free trade, the later is often impeded by tariff and non-tariff barriers. These barriers can be tariffs, quantitative restrictions, also the lack of transparency of trade regulations, customs formalities and TBT. Yet, market access can be achieved only by reducing trade barriers (Van den Bossche, 2008). The footwear industry was not easily integrated under the liberal principles of GATT and adjusted late to the multilateral trading system of WTO. The national governments of the developed countries implemented protectionist policies and signed agreements to restrict free trade since the 1950s. Thus, developing countries could not realize their comparative advantage and enter the market. The MFA in 1974 set the rules under which member countries could impose bilateral quota restrictions, but was contradicted to the non-discrimination GATT principle. During the Uruguay Round, the members agreed on the ATC to replace the MFA and gradually integrated the sector into the WTO multilateral trading system by 2005 (Wohn, 2001).

Trade liberalization is the main goal, either regionally and preferentially or multilaterally, within the WTO premises (Medvedev, 2010; Winters, 2011). According to the World Trade Report (2011), much of the international trade that exists today is based on Preferential Trade Agreements (PTA). There were 25 PTA notified to WTO in 1990 and by 2010, more than 300 PTAs were in force. Each WTO member was a member of nearly thirteen of those, thus creating the known “spaghetti bowl” of overlapping agreements (Foster & Stehrer, 2011; Medvedev, 2010: 202; World Trade Report, 2011). Considering the footwear industry, its total trade in 2008 was 70.6 billion USD of which, 21.7 percent was the share of preferential trade, 62.1 percent the share of non-preferential trade and 12.4 percent the share of Most Favored Nation trade (World Trade Report, 2011).

### *2.3.1 WTO accession: the case of China and Vietnam*

WTO came to existence on January 1995 as a successor of the GATT 1947. The WTO is an international institution and cooperates with the International Monetary Fund (IMF), the Organization for Economic Cooperation and Development (OECD), the World Customs Organization and some standard settings organizations (e.g. the International Organization for Standardization) (Mavroidis et al., 2010). A country can apply for WTO membership by submitting a formal communication to the Director General of the WTO and becomes a member when it complies with the GATT/WTO basic principles: the non-discrimination, market opening, transparency and predictability, undistorted trade and preferential treatment for developing countries (Gertler, 2004; Mavroidis et al., 2010).

China applied for GATT membership in 1986 and it was not until 15 years of harsh negotiations that became a WTO Member, on December 2001. After joining, China increased its share of the world trade. Additionally, it became a member of the ATC. Yet, China was a particular country in regards to the antidumping case at the Doha development agenda. The WTO Accession Protocol of China consists of certain provisions that China’s trading partners can use against Chinese exports. One example is the NME status in antidumping investigations. According to Article 15 of the WTO Accession Agreement of China, the WTO members can choose bilaterally whether China is a market economy. While some countries such as Australia, Argentina, Brazil, among others, regard China as a market economy, the EU and the US consider China a NME (Leal-Arcas, 2010; Messerlin, 2004). Mavroidis et al. (2010: 454) define a NME

as “*a country which has a complete or substantially complete monopoly of its trade and where domestic prices are fixed by the state*”. According to Rumbaugh and Blancher (2004), when a country is treated as a NME its domestic prices and costs cannot be used since the antidumping investigation can reach much easier a positive finding. By 2016, the NME status of China will end up; however, the country seems to still remain vulnerable to WTO rules for antidumping measures (Gertler, 2004).

Despite that China is a major challenge for the EU trade policy, the EU-China trade relationship is the second largest bilateral trade relation in terms of volume of trade in the world, after the EU-US trade relation (Leal-Arcas, 2010). China and the EC concluded a Trade and Economic Cooperation Agreement on 16 September 1985. The agreement aimed at promoting and intensifying trade, and encouraged a stable development of economic cooperation in the common interest of both parties (Europa, 2007). Recently, in January 2007, the two parties started negotiations for a new and more comprehensive Partnership and Cooperation Agreement, to reflect the current interests and nature of the EU-China relations. The new agreement promotes negotiations in all sectors including principles of good governance, rules of law and so on. In addition, the EU-China High Level Economic and Trade Dialogue and annual meetings were initiated on April 2008 and have continued since then, with the purpose of enhancing their economic cooperation and their trade relations under the WTO trading system (Leal-Arcas, 2010).

ASEAN (Association of Southeast Asian Nations) was formed in 1967 in order to foster regional security, cooperation and peace. Its five founding members were Indonesia, Malaysia, Philippines, Singapore and Thailand. The agreement now consists of ten member states including Vietnam, which joined in 1995. Due to the failure of lowering the tariffs, ASEAN launched the ASEAN Free Trade Agreement in 1992, seeking to create a free trade area which was implemented in 1994. The goal with ASEAN Free Trade Agreement was to create incentives for foreign investment by lowering tariffs and other barriers (Association of Southeast Asian Nations, 2012; Herbig, 2012).

Vietnam conducted bilateral negotiations with 28 WTO Members, including the EU (counting as one but representing 25 countries), the US and China. The country’s entry to ASEAN Free Trade

Agreement in 1995 enabled deeper integration to the regional economy, while the US-Vietnam Bilateral Trade Agreement and the framework agreement with the EU encouraged many Vietnamese companies to restructure their businesses and reorganized the domestic market to a more competitive one. It also enabled further integration into the global economy, which was important for Vietnam's own development (Adams & Tran Le, 2010; Barth et al., 2007). For instance, Vietnam has benefitted from their GSP agreement with the EU by having reduced tariff rates for certain goods entering the European market, including footwear, which helped their industry by attracting foreign investors to set up shoe factories in Vietnam (Adams & Tran Le, 2010; European Commission, 2012d).

Vietnam submitted a formal request for accession to WTO in 1995, and, after years of negotiations, Vietnam became officially the 150th WTO Member in 2007. From the first stages of the accession process, Vietnam projected what reforms of its national economy were needed in accordance with the range of WTO commitments, as well as how those reforms would contribute to the development process. Industries such as clothing and textile, footwear, agriculture, fisheries and tourism were the country's main sources of comparative advantage. Thus, Vietnam promoted those reforms that could benefit those sectors and developed negotiating priorities taking those sectors into consideration (Barth et al., 2007). Vietnam's WTO accession was the driving force behind its economic transformation as well as the beginning of the country's full integration with the world economy (Armstrong & Thanh, 2011; Barth et al., 2007).

### *2.3.2 Technical barriers to trade*

All industrial products, domestic and imported, are subject to specific requirements in regards to their characteristics and their production process. Yet, these requirements differ in their application. Those that have been applied by the government are mandatory, while those that have been applied by standard setting organizations are optional, not legally binding and arise from the interest of producers and consumers involved. These domestic tools, often used as TBT, can be distinguished in technical regulations and standards. Their purpose is to protect the environment, public and animal health and ensure the quality of the products. Countries usually differ in their regulations, thus an exporter may have difficulty in accessing a foreign market. This is true as not all societies are symmetrically risk-averse (Mavroidis et al., 2010; Van den

Bossche, 2008). Due to this asymmetry, producers often need to change their products and adapt the product design, alter the production process, and impose testing. Despite the high costs, this process is necessary in order for their export products to comply with the different requirements in the foreign market (Brenton, Sheely & Vancauteran, 2000).

TBT have received much attention not only due to consumer demands and environmental concerns but also to concerns about protectionism. In a world economy of tariff reduction and multilateral trade rules, TBT are used as an alternative mechanism to restrict imports, thus reducing trade efficiency and weakening the market competition (Mavroidis et al., 2010; Van den Bossche, 2008). The agreement on TBT includes disciplines that apply “specifically and in detail” to technical regulations, standards and conformity assessment procedures (WTO, 2012c). (See **Appendix E** for the TBT Agreement)

### *2.3.3 Antidumping trade policy*

Van den Bossche (2008: 513) defines dumping as “*a situation of international price discrimination involving the price and cost of a product in an exporting country in relation to its price in the importing country*”. This means that a producer can sell a product abroad at a lower price than in its home market price. This action, however, can be unfair for the domestic producers in the importing country as they find difficult to compete with such low prices (Van den Bossche, 2008; Vermulst, 2005; WTO, 2012a).

Dumping made its first appearance during the Industrial Revolution of the 18th century, when large scale manufacturing industries started to grow in the industrialized world. They aimed at increasing their production competences and expanding their market share, but they soon came under tension due to low price imports. By the 19th century, the economic growth in the developed countries was slacked down as a consequence of the two oil crises and mass world recessions, while newly industrialized countries in Asia and Latin America had started to emerge. Dumping became prevalent in most of the industries including raw material and immediate products industries. Protective measures against dumping were created as a mechanism for the national governments to shelter their domestic industries, which did or might not be injured by price dumping (Trebilcock & Howse, 2005; Vermulst, 2005; Wenxi, 2003).

The GATT was a provisional agreement regulating issues such as trade in goods, import liberalization, economic and health development. It was negotiated among 23 countries and entered into force on January 1947. The agreement became the institutional basis for the world trade system since the establishment of the WTO Agreement on January 1995 (Trebilcock & Howse, 2005; Mavroidis et al., 2010). In the eight negotiating Rounds that occurred under the GATT 1947 (namely Geneva, Annecy, Torquay, Geneva, Dillon, Kennedy, Tokyo and Uruguay) the tariffs decreased from 40 to 5 percent. During the Kennedy and Tokyo Round the antidumping Codes were negotiated and revised, suggesting important amendments and recommendations to improve the so far inadequate Antidumping Agreement (Horlick & Shea, 1995; Mavroidis et al., 2010; Trebilcock & Howse, 2005; Van den Bossche, 2008; Wenxi, 2003). (See **Appendix F** for the Antidumping Agreement)

#### *2.3.4 The EU antidumping procedure*

Representatives of a European industry can submit a complaint to the EC, affirming dumping by non-European producers on the European market. The Directorate for Trade Defense of the EC is obliged to initiate an investigation on behalf of the producers, after receiving the complaint. The EC has to decide within 45 days, whether the complaint is adequately demonstrated for further investigation (Cuyvers & Dumont, 2005). The European antidumping legislation is aligned with the WTO Agreement, but first applies a community interest test to find out whether the antidumping measures are in the overall interest of the community or the domestic industry (Cuyvers & Dumont, 2005; Kommerskollegium, 2007; Mavroidis et al., 2010). A complaint is valid and can be initiated if it is supported by at least 25 percent of the total European production of the like product, and antidumping duties can only be imposed if 50 percent or more of the producers of the like product support the complaint. Outsourcing firms are excluded from the 25 percent part of the domestic industry (De Bievre & Eckhardt, 2010). If the complaint is adequately demonstrated, a formal investigation has to be completed within 15 months. During the investigation the complaining European industry can negotiate a price undertaking with the exporter who is accused of dumped exports. If the exporter agrees to increase the price and the EC accepts the voluntary agreement, it may decide to stop the investigation. Otherwise, the EC consults the Council's antidumping Advisory Committee and imposes provisional duties no more than the dumping margin, applicable for six to nine months. One month before the



termination of the provisional duties the EC applies for definitive duties to the Council of ministers, which is decided after completion of the full investigation. A definitive antidumping measure requires a simple majority vote in the Council with abstentions counted in favor and is to expire five years from its imposition or from the date of the conclusion of a recent expiry review (Cuyvers & Dumont, 2005; De Bievre & Eckhardt, 2010; Mavroidis et al., 2010).

### *2.3.5 Is dumping a fair instrument?*

Antidumping law is the most complex, technical and controversial agreement of the WTO and one of the most politically sensitive areas of the WTO law. WTO members and their national governments are often in dilemma as they receive pressures from both the domestic producers to impose antidumping measures and foreign producers or importers not to impose those measures (Van den Bossche, 2008; Wenxi, 2003). The issue of whether the antidumping measures are a good instrument for the international trade has been a hot issue from the time the GATT 1947 was negotiated to the agenda of the Uruguay Round. The main antidumping users, Australia, Canada, the EU and the US wanted to smooth the antidumping procedure while others such as Japan, Korea and China requested for stricter disciplines to be implemented. In the Doha Ministerial Declaration of November 2001, WTO Members agreed to place the antidumping issue on the still ongoing Doha Development Agenda (Van den Bossche, 2008; Vermulst, 2005). The antidumping measures are imposed to counteract unfair import competition. However, a study made by Cuyvers and Dumont (2005) has shown that many antidumping cases have been enacted based on strategic and protectionist motives, such as retaliation or concerns from domestic producers, rather than addressing actual unfair competition. Moreover, Viner cited in Wenxi (2003) has also identified strategic incentives to practice dumping in foreign markets. Some of them are unintentional dumping, intermittent dumping, predatory dumping, the maintenance and/or the development of trade connections, the elimination or avoidance of competition, the retention of full production and economies of scale (Wenxi, 2003).

According to Vermulst (2005), 38 WTO Members applied a total of 1,656 antidumping measures between 1995 and 2004. The four dominant users of antidumping regime applied most of the measures against developing countries. Official statistics on antidumping show the number of antidumping initiations and antidumping measures applied by the four main users as well as the world total during the period 1995 to 2011 (WTO, 2012b), as illustrated in table 3. During the

same period, the global footwear sector was targeted with 32 antidumping initiations and 23 antidumping measures (ibid.).

**Table 3 antidumping initiations and measures by main users between 1995 and 2011**

	Australia	Canada	EU	US	World TOTAL
AD Initiations	219	153	428	452	3922
AD Measures	85	96	275	304	2543

Source: Created by authors, based on data by WTO, 2012b.

Interesting though is that more and more developing countries started using the antidumping mechanism, while China also enforced its antidumping regime. By 2005 the major users of antidumping rules were both developed and developing countries, such as India, the US, the EU, Argentina, South Africa, Canada, Turkey, Mexico, Brazil and Australia (Gertler, 2004; Vermulst, 2005). China was the top target of antidumping investigations, followed by the EU, the US, Korea, Brazil, Taiwan, Japan, Russia, Brazil and India which means that antidumping is a widespread tool with WTO members being both users and victims of it (Cyuvers & Dumont, 2005; Vermulst, 2005).

### *2.3.6 Summary of trade policy theoretical framework*

International free trade is necessary for countries to access foreign markets and realize their comparative advantages. WTO law governs the rules for both the market access and the WTO accession. Yet, barriers to trade and protectionist policies imposed by national governments often restrict trade liberalization. Additionally, much of the international trade is based on PTA whose numbers is growing at an accelerating pace the last decades. TBT enclose specific requirements for domestic and imported products, still they encompass concerns in regards to their objectivity and detachment from protectionism. Further, the debated antidumping trade policy which deals with products imported at low prices and causing injury domestically is discussed. The European antidumping legislation is analyzed and arguments for and against the antidumping regime are provided. Nowadays, antidumping is no more used by high income developed countries, but more countries are using it frequently and against more products than ever in the antidumping history. The current state of the trade environment affect the way the international trade is conducted. The trade policies also affect the institutional context in which the footwear industry

is bounded, and subsequently they shift the industry's governance. Yet, it is not only the EC that decides about the trade policies. The footwear industry is an industry where different actors and interested parties are involved. They all try to influence the trade policy environment and the decision making process, directly or indirectly, through lobbying which will be discussed next.

## **2.4 Lobbying**

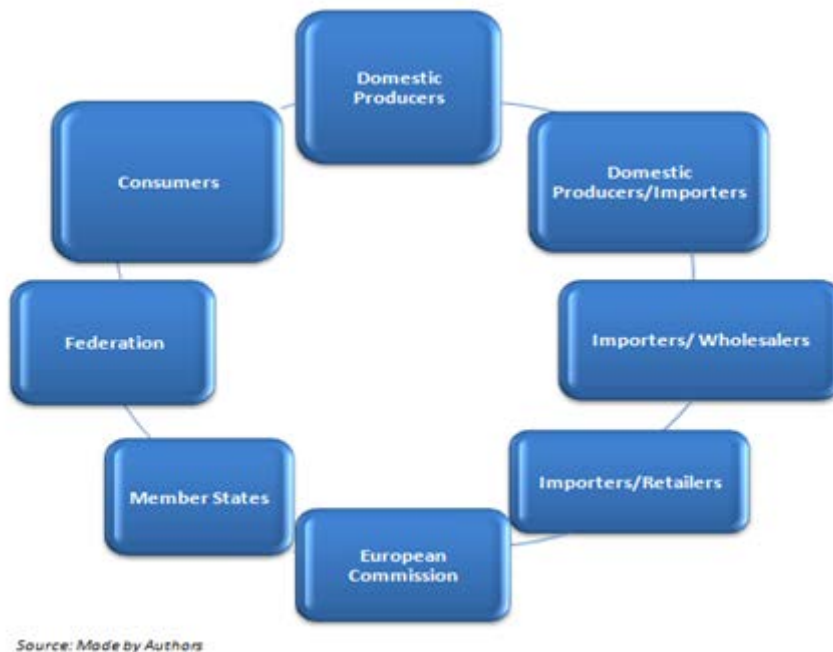
### *2.4.1 Actor analysis approach*

An actor analysis approach describes the interdependencies occurring among the actors who informally try to influence and direct the trade policy decision process towards their benefits. An actor communicates and collaborates with other actors within the system and with external actors in the environment of the system. The footwear industry consists of actions and interactions of different actors operating at different levels, who are continuously changing the structure and composition of the landscape. Examples are:

- End consumer in a country of a specific product
- Individual members states in the EU27
- Lobbying organization in the global footwear industry

The actors in the European footwear industry are, as illustrated by figure 6: domestic producers, domestic producers/importers, importers/wholesalers, importers/retailers, the EC, the European Member States, lobbying organizations/federations, and consumers. As mentioned in the GVC/GPN framework, it is not only the global buyers and other lead firms but also non-firm actors such as national governments and international organizations that may influence the operations of the industry and its companies (Fuerst, 2010; Sturgeon & van Biesebroeck, 2010). This means that all stages of production which contributes to the value added of a footwear product are subject to the relation and influence exerted by different actors involved in different groups of network in the industry (Fuerst, 2010; Giuliani, Pietrobelli & Rabellotti, 2004).

**Figure 6 Actors in the European footwear industry**



#### *2.4.2 Definition of lobbying*

Antidumping measures against imports from countries that are purportedly selling at prices below the home market price, can be applied only when legitimate protection, for instance, against predatory pricing. However, they often constitute important trade barriers. Consequently, some industries lobby quite hard for such measures to be implemented, when facing rising imports from particularly competitive foreign firms (Bjørnskov, Meinen, Ulf-Møller & Schröder, 2009).

The practice of lobbying is any effort made by lobbyists to influence the public policy (Hogla & Nilson, 2007). Lobbyists are individuals, organizations or any kind of entities who spend lots of money, notably on speech, in order to exert influence on government actors and actions (Lloyd, 2008). When it comes to the antidumping legislation, lobbying is a unique political strategy. It refers to a fixed fee paid to lawyers by interest groups in order for them to achieve access to the administrative system. The results, however, in regards to different policy issues vary from duty impositions and price agreements to withdrawal and nothing (Nelson, 2006). Lloyd (2008) also refers that all lobbying targets legislative and executive branch officials, or any other public

official who may participate in the formation of regulation, as well as the public. He further distinguishes between direct lobbying to government officials and indirect lobbying through public encouragement to contact government officials. According to Klüver (2012a), lobbying is a demanding task that includes extensive scrutiny and checking of the European policy developments. For that to be effective, lobbying still necessitates the creation of wide networks with the EC officials and other interest groups. Moreover, since the main objective is to influence the final decision of the EC, the negotiation process and the formal procedures of the adoption of the final legislative report, lobbying deals with the complete knowledge of the policy preferences of the Committee Members (Marshall, 2010).

#### *2.4.3 Current law and regulations to lobbying*

The practice of lobbying either taken place directly or indirectly raises many concerns in regards to its objectivity, since a subset of interest groups or citizens tied together by common interest might promote their own interests in excess of the overall public interest. Due to these concerns and since lobbying influence is often extraordinary, the Congress applies certain regulations to restrict and minimize lobbying (Lloyd, 2008).

First, the Congress increased the overall cost of an actor to engage in lobbying. The interest groups need money to hire outside paid lobbyists or lawyers, and to communicate with private and public actors. They also need money for travel and accommodation expenses, pre-visit rooms, written materials and so on. Second, the Congress enacted the Lobbying Disclosure Act in 1995 upon which all interest groups have to disclose information regarding their lobbying activities, the issues they are lobbying, their financial sources and the level of their expenses. Third, the Congress provided specific regulation in regards to the degree of interaction among lobbyists and government officials. Government officials are not allowed to receive anything that would raise conflict of interest such as bribery, gifts and reimbursement of travel expenses (Lloyd, 2008).

#### *2.4.4 Interest groups and influence on political decisions*

As mentioned previously, lobbying deals with the complete knowledge of the preferences of the Committee Members. By knowing how the legislative power is distributed among the government officials or the committee members, interest groups can determine which officials

are more easily to lobby, how and when (Marshall, 2010). Every government official has his/her own preferences in terms of each policy issue and they might work to support their ideological perceptions or the interests of those they represent. Interest groups focus on those individual preferences and the institutional structure in order to achieve their desired goals. Hence, different policy issues and legislators need different type of influence. For instance, high level executive officials are more concerned about prestige while bureaucrats and lower level executive officials want to secure their position or maximize their authority. Judicial officials who lack re-election or job retention concerns, have different preferences like getting rid of the less interesting part of their workload or improving their reputation. All the above preferences mean that interest groups have many options to use in order to influence the government actors (Lloyd, 2008).

It is obvious that the role of the interest groups is to achieve political decisions and outcomes aligned with their goals. Despite their significant role in the European policy making process, not all of them can be successful in all their attempts to convince the legislators. This is mainly due to the vast number of interest groups and the high competition. More than 3,700 interest groups are present and lobby the European institutions to achieve a desired policy decision, but not all can make their voice being equally heard (Klüver, 2012a). Moreover, interest groups vary in their agenda, financial and personnel support. They may have a single issued agenda and limited resources, or more broad issued agendas and boundless resources. Further, well resourced and organized groups can be divided on specific policy issues leading to a structured division of resources (Lloyd, 2008). Bjornskov et al. (2009) also follow Olson's argument that small industries are more likely to succeed in lobbying, as they can overcome free-rider problems and coordination costs, and that particularly vocal actors may exert the needed influence.

According to Klüver (2010a, 2010b), the success of lobbying depends on the size of the lobbying alliance, the importance and complexity of the policy issues, and the degree of salience and conflict over that issue. In addition, some policy issues are more technical and are relevant to small public groups, while others concern larger public groups and cause greater conflict. Thus, the issue context per se determines the environment in which different interest groups compete and affects the ability of the interest groups to lobby the government officials effectively (ibid.).

Information supply is another key determinant of successful lobbying. Government officials often take care of many and complex issues at a time and they lack complete knowledge of all the policy problems. Interest groups are more of specialists, as they cope with one policy area at a time and achieve complete knowledge of the policy issue at hand through their personal contacts with the concerned members. Moreover, interest groups do not provide the same amount of information, as this is determined by the resource endowment and the organizational structure. Resource endowment refers to the financial and personnel resources and the organizational structure refers to the degree of professionalization, decentralization, functional differentiation and division of labor in the interest group. The higher these factors are, the higher the information availability to the EC is (Klüver, 2012a, 2012b).

Interest groups have a pervasive role in the policy decision process. Their role is to provide the needed data and function as informants and auxiliary entities for decision makers and citizens. Their aim is to increase transparency and create an open administrative system where all can participate. But, most of the times, the interest groups exert much more of the needed influence on government officials, trying to promote their interests or those of the groups they represent disregarding the overall public interest. Additionally, cases where the information supply was falsified and filtered to achieve the desired results are not missing (Lloyd, 2008).

#### *2.4.5 Summary of lobbying theoretical framework*

Despite the changes made in the current law and regulation of lobbying, it still remains an important tool in dealing with the European legislation and the notion of unfair trade. Lobbying incorporates any kind of entities who want to influence the decision making process. The modern highly competitive economy in which the footwear industry operates has touched off trade policy measures, which companies often use to protect themselves from rising imports of highly successful foreign companies. Many of those companies are indirectly involved in lobbying to influence the structure of the industry and the trade policies, which shape the industry with the objective to achieve political outcomes aligned with their benefits. The success of lobbying, however, depends on such factors as the size of the affected industry, the size of the lobbying alliance, the complexity and importance of the trade issue, the degree of conflict over that trade issue and the knowledge of the policy problem.

## **2.5 Summary of the theoretical framework**

The theoretical framework of this report strongly builds upon the GVC/GPN model and how it can be applied to the footwear industry. The GVC/GPN framework has been developed to understand the organization of global industries and the coordination, governance and power in their chains. It can be applied to the footwear industry due to increasing outsourcing and global supply of products. The framework incorporates all stages that contribute to the value added of footwear product and also looks into the institutional context and the governance structure in which the product is embedded. Any possible shifts on the context or structure might affect where the product is located and where the value added is generated which is the case of the footwear industry by forcing relocation of production to low cost labor countries. In order to understand these shifts, a better examination of the current trade environment was conducted. Trade liberalization allows access to foreign markets, yet, is often restricted by barriers to trade and national protectionist trade policies. The trade policies also affect the institutional context in which the footwear industry is bounded and subsequently they shift the industry's governance. Nevertheless, it is not only the EC that decides about the trade policies. The footwear industry is an industry where different actors and interested parties are involved. They all try to influence the trade policy environment and the decision making process towards their interests disregarding the overall public interest, mainly indirectly through lobbying. This is why lobbying is discussed, as it is still an important tool in dealing with the European legislation and the notion of unfair trade. It is discussed in terms of its influence regarding the implementation of trade barriers raising the question whether the trade policies are fair trade instruments to counteract the shifts on the footwear production. The success of lobbying, however, depends on a variety of factors as the size of the affected industry, the size of the lobbying alliance, the complexity and importance of the trade issue, the degree of conflict over that trade issue and the knowledge of the policy problem.



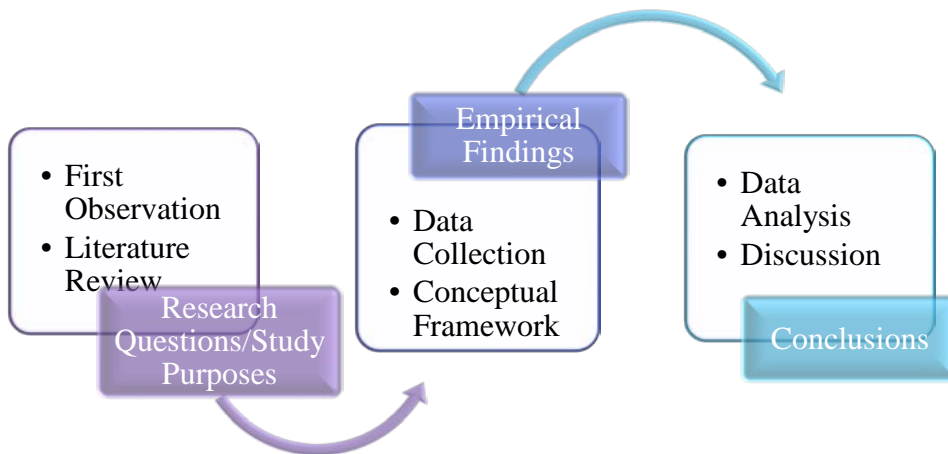
## CHAPTER 3: METHODOLOGY

*This chapter presents the research method that has been used to achieve the purpose of the thesis. It gives a detailed overview of the research methods including the qualitative and quantitative research approach, its exploratory orientation, and the methodology of interviews. It explains the preparation and conduct of research, the process of collecting data, along with steps taken to measure and assure reliability and validity of the data.*

### 3.1 Research process

The research process of this study is illustrated in the following figure 7.

**Figure 7 Research process**



Source: Authors' own elaboration

As shown in the figure, the research began with an observation in order for a research topic to be found followed by the conduct of an extensive literature review. The aim was to learn about the current level of research in the field and to identify research gaps. As Ghauri and Gronhaug (2002) state, literature review is purposefully used to frame the problem, identify relevant concepts and position the study. Additionally, Creswell (2003) mentions that during the research process questions arise and data is collected, and the researcher influences the data analysis by interpreting his/her received meaning of the data. Thereafter, we define the purpose of the study and the research questions to be answered. The conceptual framework is presented to direct the presentation of the empirical findings and then combine those with the theoretical concepts in the analysis part. A quantitative and qualitative research approach with an exploratory orientation is employed to collect data and clarify the impacts of barriers to trade on Swedish importers and

retailers of the selected footwear industry. In the next step, the empirical findings were described and demonstrated. The information was further processed and analyzed in order to provide some directions for companies to cope with trade barriers and if necessary to adjust their corporate strategy. Finally, conclusions and suggestions for further research were drawn.

### **3.2 Research approach**

This study follows a mixed methods approach in the sense that it uses both quantitative and qualitative data to approach the research problem and answer a set of research questions (Bergman, 2008; Creswell, 2003; Hesse-Biber, 2010). The quantitative approach is used to address the factors that influence an outcome in order to better understand the research problem, while the qualitative approach is used to provide an in-depth understanding for a specific case in order for the researcher to explore subgroups in the data (Ghauri & Gronhaug, 2002). The mixed methods approach is appropriate when issues such as triangulation, complementarity, development, initiation and expansion need to be examined (Hesse-Biber, 2010). The researchers' main goal is to understand the problem, examine the exact nature of it and identify the factors to be studied (Ghauri & Gronhaug, 2002; McDaniel & Gates, 2010). Thus, the study followed an exploratory orientation. We acted as flexible inventors to explore, describe and explain the antidumping case.

This approach suits the coverage of this study, how Swedish importers/ retailers within the footwear industry which was historically protected by trade barriers and recently by antidumping duties acted to cope with these barriers. To the best of our knowledge, there has been little investigation directed to importers and retailers in the antidumping case of footwear. Thus, qualitative research will be useful to collect facts and fully comprehend the topic under study. After exploring generally to learn what variables to study with a quantitative approach, qualitative approach leads to a more detailed study of those variables in a specific sample of affected individuals; from a large number of actors, we are able to explore the topic with few participants at sites.

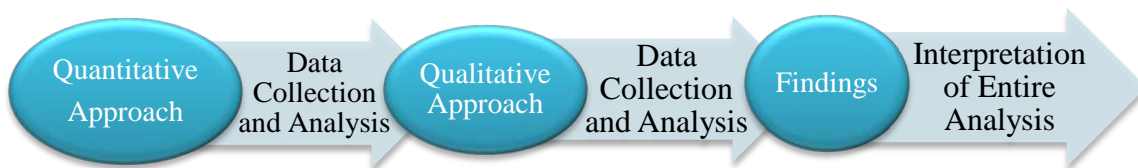
### 3.3 Research design

The research design determines the strategy used to collect the data needed to answer the research questions and solve the research problem. It is the plan which relates the conceptual framework with the empirical findings (Ghauri & Gronhaug, 2002). The quantitative research design describes trends and attitudes through statistics following a standard format, while the qualitative research design provides intricate details from the “insider” point of view, which evolves over time through shifts on data collection and studied participants. In the mixed methods design, quantitative and qualitative approaches are both used to provide adequate data for the researcher to completely understand the research problem (Creswell, 2003). Yet, Hesse-Biber (2010) argues that while the qualitative research approach is central to the research design, the quantitative approach possesses a more auxiliary position to it.

#### 3.3.1 Research strategy

Figure 8 illustrates the research design strategy of our study.

**Figure 8 Research design**



Source: Created by authors, based on Creswell, 2003; Hesse-Biber, 2010.

First, we began with a quantitative method in which we tried to find out the evolution of imports originating from China and Vietnam to the EU27 and Sweden, from the time of the antidumping investigation in 2004 to the time of the antidumping duties’ expiration in 2011. We also wanted to find out the share of the most important suppliers of footwear to Europe. In order to expand these findings, we followed up with a qualitative method involving detailed exploration with a few organizations and companies. First, we wanted to discuss the impacts of antidumping duties in the European footwear industry, and then develop a detailed view of how individual companies have experienced the phenomenon. The quantitative study is conducted first to

generate new research questions and further the generalization of the findings of the qualitative study that is conducted later (Hesse-Biber, 2010).

### *3.3.2 Sample selection*

The collection of data is of great importance for the research design, as it contains the information required to answer the research questions. The choice of data is critical and careful considerations need to be taken about how to collect them, from whom, where, when and in what way (Ghauri & Gronhaug, 2002). Thus, a suitable sample, from which the most can be learned, must be selected.

The companies selected in this study to represent our sampling were chosen based on a set of criteria. They are all similar in the sense that they are all actors involved and operate in the same industry (the footwear industry), and originate from the same country (Sweden). Additionally, they all realize direct imports from China and Vietnam as well as the retail chain concept and they might have been affected by the antidumping measures. Important to consider is that Sweden's share of imports is among the top ten importing countries of footwear from China and Vietnam. We also targeted two Swedish organizations involved in the industry's lobby to influence the EC decisions. Therefore, we selected companies and organizations with similar and relevant to our study characteristics and conducted interviews with employees working in the HQ in Sweden. Time and money limitations as well as the companies' availability and geographic proximity were the main reasons behind our choice to approach large Swedish companies. The studied companies are elements of a representative subset whose findings might be also able to generalize for all firms in Sweden and, mostly, in Europe.

## **3.4 Data collection**

The researchers are the key instruments to prepare, execute and interpret the data collected (Creswell, 2003). Our data stream extends across several sources, both primary and secondary. In a mixed method, conclusions are drawn through both quantitative and qualitative databases.

### *3.4.1 Primary data*

Primary data are the first hand data collected for a specific case and connected with a particular research question and purpose (Ghauri & Gronhaug, 2002). In order to retrieve accurate information and deepen our understanding of our research topic, an interview is considered a

good method to collect useful facts. Primary data in our study consists of interviews with two selected Swedish importers/retailers of footwear, which may or may not have been affected by the antidumping duties. Moreover, we contacted “*Svensk Handel Stil*”, a Swedish organization which may have been active in lobbying the EC about the imposition or not of antidumping duties. Additionally, we contacted “*Weyler Consulting & Information*” in order to find information about the impact of antidumping duties on a national and supranational level.

The question guide designed for the semi-structured interviews regarding antidumping was formulated based on the valuable insight of our supervisor and on a previous study we found in the topic, yet approached from a different and more futuristic angle than ours, by Arenander and Safer (2006). In Arenander and Safer (2006) the interview questions have been used for five companies in order for them to complete their research in antidumping. In a semi-structured interview, the discussion topics, the selection of respondents, and the questions to be answered are determined in advance. However, the questions are open-ended for respondents to discuss their opinions and reflect upon the issues under inquiry. They also give space to following questions in case there is need to supplement the data already collected (Ghuri & Gronhaug, 2002). At a second step, we wrote an e-mail at the targeted companies and organizations, either directly to the experienced person involved with the antidumping case and whom we wanted to interview, or to the general information center which connected us with the correct employee. In the initial contact we stated our purpose of our study. We provided them with a brief statement of the research problem and description of the type of information we were interested in collecting. Ghauri and Gronhaug (2002) mention there are three accepted typologies of interviews: the interview by phone, by mail and the personal interview. Therefore, according to the respondents’ time availability and choice of preference, our interviews did not take place face-to-face but instead through mail or telephone. According to their request, we sent the interview guide accompanied with the purpose of the study and the research questions to them by mail, and asked for answers to be sent back in the same way. Follow-up questions were also followed the same procedure.

The interview agenda consisted of some open-ended questions divided in three parts. The first part was characterized by general questions in order to get as many details as possible about the

companies' background, and to make the respondent feel comfortable at sharing his/her experiences with us. The second part included questions in regards to the antidumping duties and other barriers to trade, their impacts, and the company's strategy and political actions. The respondents could reflect on the questions freely using their own words. The last question was general, regarding the new locational center of the Swedish footwear industry far from Örebro and the reason behind this shift. When the interview questions were sent back, we went through the written answers and discussed our impression on them and on the general quality of the interview.

### *3.4.2 Secondary data*

Secondary data include existing sources that help the researcher to formulate the research problem. They are often combined with the primary data of the study at hand and broaden the base from which conclusions can be drawn (Ghauri & Gronhaug, 2002). The secondary data we used derived from various sources such as external and internal publication reports, scientific articles, newspapers and handbooks. The sources also include internet search engines and academic journals from universities. We also consulted reliable sources such as the EC and its Eurostat database, the WTO and the legal texts, the national TARIC (Integrated Tariff of the European Communities) database from where we selected and filtered the information related to our research topic.

## **3.5 Data analysis**

In a mixed method research the data analysis is done sequentially; the quantitative data are analyzed in a first phase and the qualitative data in a second, while both are integrated in the final interpretation of the entire analysis. Diverse methods are used such as open-ended questions, statistical and text analysis and interpretation across different databases (Creswell, 2003; Hesse-Biber, 2010). In our analysis, we interpreted and integrated the quantitative and qualitative databases including the results of both methods.

### *3.5.1 Primary data analysis*

When the interview questions were sent back, we studied carefully the answers of the companies. Each interview was studied separately at the time it was received in order for us to become familiar with each company, before looking deeper for similarities and differences between

them. We reflected upon the interview data and went through them several times to understand them and connect them with the purpose of our study and the research questions. In case something was not clearly stated, we sent follow up questions asking for further explanation. The empirical findings from each interview were placed under each interview question, thus comparing the companies in general. In cases where the data we have gathered were not enough to draw conclusions upon, we tried to make assumptions and speculations for the readers to evaluate and come up with their own understanding on the research. The aim of this screening was to incorporate the conceptual framework with the empirical interview data and also generalize the findings from a Swedish to a European perspective.

### *3.5.2 Secondary data analysis*

Secondary data were derived from qualitative and quantitative datasets. The quantitative data delivered as hard data in the form of numbers or graphs and were subject to statistical analysis and standardized tests of reliability and validity. First, we searched and gathered secondary data from various databases such as OECD, UN Comtrade, Eurostat and SCB in order to check the reliability and accuracy of the data. Then, we interpreted the data into graphs and tables. We measured different variables and analyzed data using statistical procedures. For instance, after collecting the data about imports from China and Vietnam to the EU27 and Sweden, we changed the data into the same unit to compare, and then we used the Microsoft Excel program to create tables, figures and graphs and interpret the total value of imports.

The collection of data regarding the imports of footwear into the EU27 and, specifically to Sweden, from China and Vietnam was quite a cumbersome process. Regarding the statistics and the value of the imports, we compared the data from the different databases mentioned above and decided to use Eurostat in order to find the most up to date and valid data. This database is based in Brussels and displays the currency in Euros, which makes it most suitable for our purpose.

When deciding what type of footwear to look further into, we need to get more information about exactly the types of products that were targeted by the antidumping duties. When searching for statistical information, different databases use different system. However, the main classification for the collection of data is SITC, which is used by the UN. The CN is also sometimes used and both CN and Harmonized Commodity Description and Coding System (HS)

can be transformed into SITC codes. Eurostat is an institution that operates a commonly used database when searching for import and export statistics from and to the EU27, and provides comprehensive information under the SITC codes, which is why we used it for most of the graphs. Because of the scarcity of data when looking to deep into the classification, we decide to keep it at a three digit level, namely 851 - Footwear. Sub levels included under SITC 851 are 851.1, 851.2, 851.3, 851.4, 851.5, 851.7 and 851.9 (European Commission, 2012c).

When declaring imports of products to the customs in the EU27, goods must generally be classified according to the CN. Both imported and exported goods have to be declared stating under what subheading of the CN they fall. This is very important as it determines which rate of customs duty applies and how the goods are treated for statistical purposes.

When it comes to the tariff level of the special kind of footwear we are investigating, we looked at the statistics of the Swedish Customs website (Tullverket, 2012). Here, they will give a comprehending overview of each type of footwear we are interested in, in regards to the antidumping duties and for how long they are valid. The tariff classification code Tullverket used is called TARIC and all data is sent directly from the common TARIC database in Brussels, which ensures the reliability of the data. The search engine encompasses some 11,300 identified products which controls which tariff level corresponds for different products, any other possible duties to be paid at the time of import, and if any license or special permits are required to import the products into the EU and Sweden. The classification of the products is made up of a ten-digit code. The first four-digits are the same as the first four-digits of the HS number. The HS is used by most countries in the world and its purpose is to determine duties and international trade statistics. The information given by TARIC is not legally binding, but its codes must be used when declaring imports and statistics. The accuracy and quality are not determined on a national level as data is transferred from the common TARIC database in Brussels. Changes in the database are done through the EC and new information is transferred every night in order to give the latest information available (Tullverket, 2012).

Before investigation of the actual tariff rates, we need to know exactly what products had been affected by the antidumping duties. This information was given by the “Official Journal of the European Union” which reported that the products concerned by the antidumping measures are



defined as “*certain footwear with uppers of leather or composition leather, excluding sports footwear, footwear involving special technology, slippers and other indoor footwear and footwear with a protective toe-cap, originating in the People's Republic of China and Vietnam*”. At the time of the report all products fell within CN 6403 (except for 64051000) (European Commission, 2006b). An explanation of the different sublevels under chapter 64 in the CN system can be found in **Appendix C**, where the sublevels not affected by the antidumping duties are marked in grey (European Commission, 2011).

The CN is comprised of the HS nomenclature with further Community subdivisions. This systematic list of commodities forms the basis for international trade negotiations, and is applied by most trading nations. The CN also includes preliminary provisions, additional section or chapter notes and footnotes relating to CN subdivisions. Each CN subdivisions have an eight-digit code number, the CN code, followed by a description (European Commission, 2012c). The TARIC database, however, has additional two-digits in their codes therefore, it was important to find out the corresponding TARIC codes which can also be found in **Appendix B** (European Commission, 2009). Tullverket did not have any search engine for showing any quotas from China and whether any quotas still exist since they were abolished in 2004. According to the statistical information derived from Tullverket website, the antidumping duties were enforced until March 31 or October 31, 2011 (Tullverket, 2012). According to the “Official Journal of the European Union” the numbers of products affected by the antidumping duties under the CN codes are 36. However under the TARIC system, due to the additional two-digits which allows for sub-levels, the number of TARIC codes is doubled.

After defining the particular products in question, it is appropriate to also find the correct description of those products in order to get an understanding of the actual physical characteristics of the products, which more simply put under the definition of certain footwear with uppers of leather originating in China and Vietnam. The established levels of antidumping duties were ten percent for products originating from Vietnam and 16.5 percent for products originating from China (European Commission, 2009). By searching for the products in question on the TARIC database, one can see that the antidumping duties are the same as described in the “Official Journal of the European Union”.

### **3.6 Evaluation of research**

In a mixed methods approach, the researcher and the participant are key players in the research documentation and their interpretation might influence the degree of neutrality of the findings. The evaluation of research can be assessed in validity and reliability. Validity refers to the extent the empirical findings apply to the reality and the research questions. It is how much the research describes, explores and measures the problem it is supposed to describe, explore and measure. Reliability refers to the extent of which the study produces reliable findings. In case where the same study is replicated by other researchers using the same research approach, design and method, they will come to the same results (Creswell, 2003; Seale, 1999; Willig, 2008).

To achieve validity and reliability we recorded in detail each step during the research process, data collection and presentation of results. We believe that the questions we formulated will remain valid and produce similar results if it were to be transferred and reproduced by another researcher at a different time. We verified and triangulated the data we retrieved through multiple sources and databases to be sure that all would give similar results. Statistical conclusions were also validated through data triangulation, so as not to draw inaccurate inferences due to inadequate statistical assumptions. Moreover, to reduce any bias and to increase the objectivity and neutrality of the findings, third observers checked and commented on our research. We also assure the reliability of the findings as the interview data was documented on paper by the respondents. With these methods we increased confidence and also improved the fit between the different settings of the report. Further, one may wonder that the sampling might skew in the Swedish perspective and the European perspective might be missing and hard to conclude. We worked with relatively small number of participants, but our study covers a situation that is relevant to more people than those actually participated. We assume that the sample is representative of a larger setting and the findings can be generalized. Although the semi-structured and open-ended questions provide flexibility, they were conducted by mail and telephone which did not allow us to establish personal relationships with the participants interviewed. This might have affected the quality of the data collected, the thoughtfulness of responses or the willingness to share more in-depth information. Even though speaking personally with the interviewees could have yielded different outcomes and perspectives, we are sure that we have collected good and reliable information.

## **CHAPTER 4: EMPIRICAL FINDINGS**

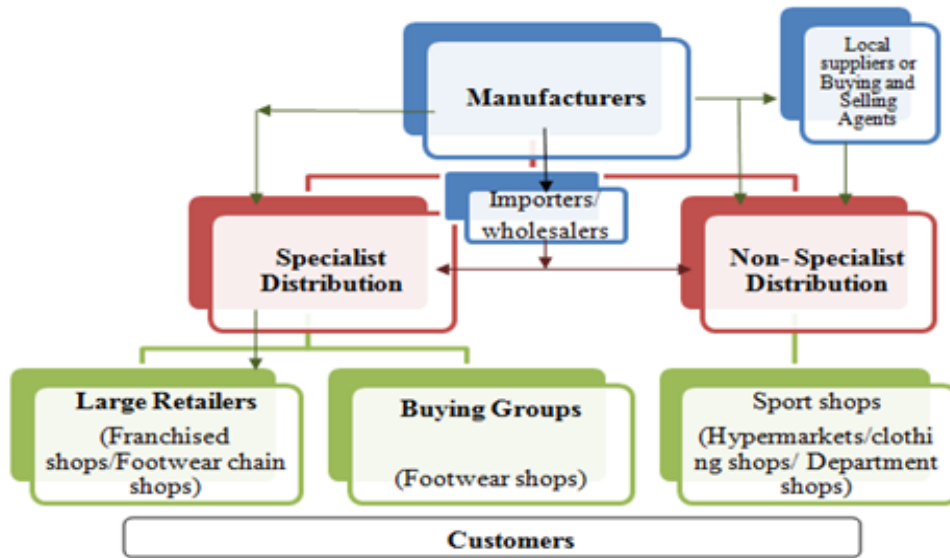
*This chapter outlines the empirical findings of our research. First we present the overview of the European value added activities and how it can be calculated depending on what type of actor is in question. Later, we discuss the Swedish footwear industry followed by a Swedish based actor analysis before looking deeper into the interviews with selected Swedish importers/retailers and organizations.*

### **4.1 European value added activities**

The value added is the sum of the processes that are applied to input goods, adding value to them and ultimately transferring them into another product. If the difference between price and costs for inputs increase, then value added is growing. Taken together, all such activities in the economy create growth and raise GDP. The European value added is different depending on the actor in the footwear industry. Kommerskollegium (2012) differentiates between many different actors, however to keep the subject relevant we will distinguish between the Traditional European Importer and the Traditional European Producer. The producer supposedly contributes more to the European economy than what the importer does.

Figure 9 gives a general overview of the typical distribution structure or the supply base for footwear in the European market. As can be seen, the footwear market is divided in two different types of distribution, the specialist and the non-specialist sector. Consumers can choose from various and diverse channels how to purchase their products. Yet, despite this diversity and that the non-specialist sector has gained customers due to convenience and low prices, the traditional distribution channel from manufacturer to importer/wholesaler or directly to large retailers still dominates (CBI, 2010a).

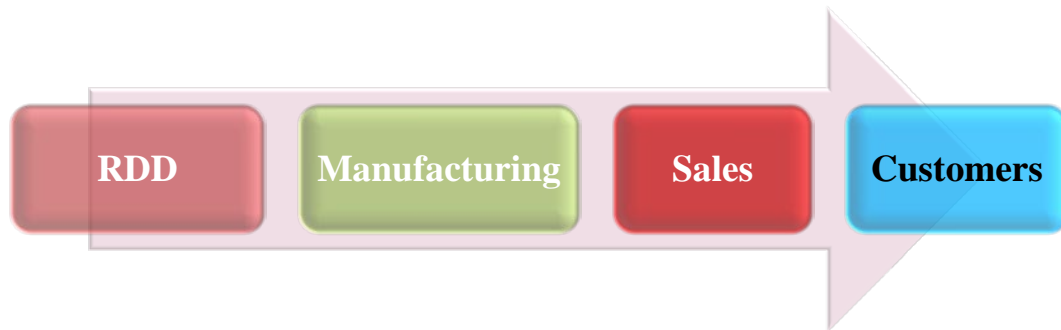
**Figure 9 Typical distribution structure for footwear in the EU**



Source: Created by authors, based on data by CBI, 2010a.

Figure 10 below illustrates the sourcing strategy of the traditional European producer consisting of three phases, which we can call pre-manufacturing, manufacturing and post-manufacturing. In reality goods are not produced like this, in a chronological order, with phase one before phase two, but it serves as a model. RDD are ongoing activities between an idea and actual manufacturing. A decision is taken to produce a certain model of shoe with certain design, durability and quality characteristics, certain leather or other materials, and then a prototype is sent to the factory. Before manufacturing can begin the materials have to be purchased. In the manufacturing stage of the process the shoes are actually manufactured in a factory. Between the manufacturing phase and the sales phase there is also logistics involved. Finally, the shoes are to be sold. For this, a continuous process of marketing is going on with the aim of selling, either directly to the consumers, if the company has its own shops, or indirectly to the retailers. Manual labor and human capital is where the most important value added activities are located (Kommerskollegium, 2012).

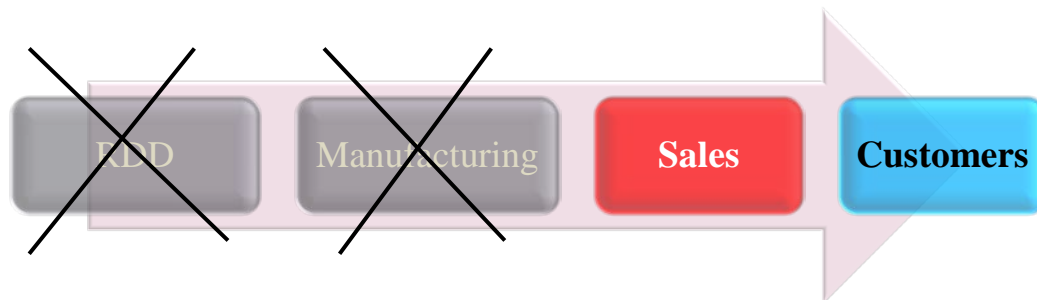
**Figure 10 Traditional European producer**



Source: Created by authors, based on data by Kommerskollegium, 2012.

The traditional European importer, as shown in figure 11, has a different sourcing model by excluding the RDD and manufacturing part of their operations which instead is done by the exporting company. They are still involved in marketing, but the majority of their value added activities are located in the pre sales phase. From a production based value added view, much of the activities related to the shoes are carried out abroad and they do not contribute as much value to the European economy as the domestic producers.

**Figure 11 Traditional European importer**



Source: Created by authors, based on data by Kommerskollegium, 2012.

#### ***4.1.1 European value added calculation***

Kommerskollegium (2012) made a study of the percentage of the European value added activities of a pair of low-cost woman's shoes imported by a Dutch firm from China. By using a simple costing model (table 4) showing the various costs in all stages of the sourcing model provided above, one can see the proportion of the different value added activities and how much value is added to the European economy.

**Table 4 Manufacturing costs for a pair of low-cost woman’s shoe from China**

Euro	Share EU
<b>Pre-Manufacturing</b>	
1	0.95
<b>Manufacturing</b>	
4.42	0.27
<b>Post-Manufacturing</b>	
1.23	1.23
<b>6.65</b>	<b>2.45</b>

By subtracting the cost of materials in the manufacturing phase (€1.18) from the sales price to the retailer (€6.65), we will get the total value added which is €4.47. By dividing the European value added (€2.45) with this, we get 0.55 or 55%. Thus, 55 percent of the value added is European. This number will differ depending on where in the value chain the value added activities are occurring. By going back to the two types of actors, the traditional European importer and the traditional European producer, we will show the possible outcomes of the value added processes (Kommerskollegium, 2012).

*Source: Created by authors based on data by Kommerskollegium, 2012.*

In the case of the traditional European importer, the only European value added is in the post-manufacturing phase and, to some extent, the freight and insurance. The percentage of European value added in a pair of imported shoes of this model is  $(0.23 + 0.04 + 1.23) / 4.47$ , which is 34 per cent. Thus, even a pure importer is contributing value to the EU (ibid.).

Importers are naturally affected by the antidumping. These companies often have no long standing relationships with their suppliers and so the importer buys shoes that someone else has designed, so it is not “their own shoes”. They are therefore more free to “shop around”, finding the right shoes in a shoe fair, for the best offers available at the moment. If the best offers, due to antidumping duties, are not in China or in Vietnam, it is easier for them to move their supplies somewhere else. This means that some of the companies that the antidumping measures were supposed to affect can probably avoid the worst consequences (ibid.).

The traditional European producer keeps all manufacturing in Europe. Some of them are very traditional companies, keeping all stages of the process in the home community, but there are also many companies outsourcing within the EU. Italian shoe companies have recently moved much of their manufacturing to Romania. The viability of the strategy can be discussed. The average labor costs in Italy are around 20-25 times higher than in the interior of China. By comparing labor costs in relatively cheap Romania with relatively expensive coastal China, then

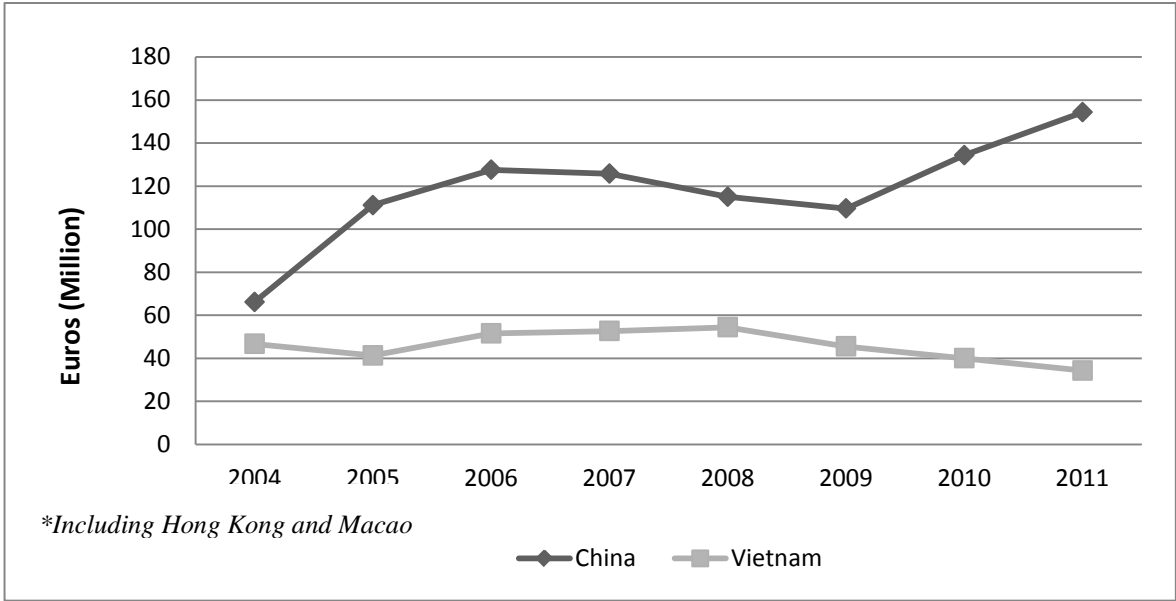
Romania is only three times more expensive. There are, however, some advantages of manufacturing in Europe. Keeping manufacturing in Europe means not having to pay for freight and tariffs. More importantly, productivity is higher in Europe (ibid). Obviously, the traditional manufacturers were not negatively affected by the antidumping duties. If they manufactured the shoes fully within the EU they were considered part of the community industry.

**4.2 Swedish footwear industry**

According to a study made by CBI (2010b), the footwear industry in Sweden is quite small, the smallest in Scandinavian countries, and in a state of long term decline. However, the interest in quality and design continues to drive the sector which is expected to grade up to higher fashionable and comfortable footwear. Swedish production is primarily leather outdoor and indoor footwear made of rubber, plastic and leather (ibid).

An interesting fact, though not surprising, is that the imports to Sweden mirrors the situation in the EU27 in figure 4 quite much, where imports from China has increased, albeit slightly, while imports from Vietnam decreased during the same period, as shown in figure 12.

**Figure 12 Imports of footwear from China\* and Vietnam to Sweden from 2004 to 2011**

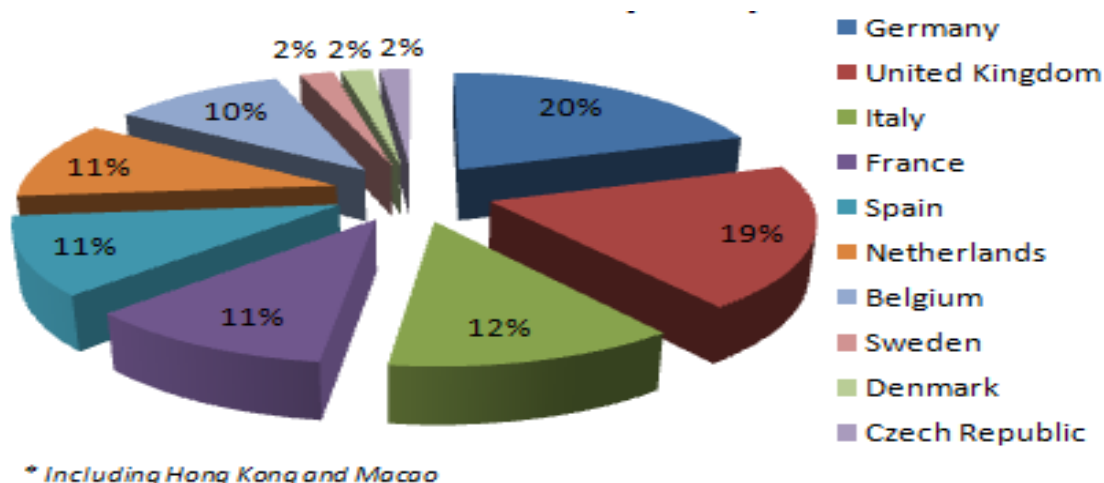


Source: Created by authors, based on data by Eurostat, 2012a.

Note: Footwear is defined SITC 851 in the UN system.

Also, in order to understand the magnitude of the Swedish footwear industry, figure 13 shows the share of the top importers from China and Vietnam, as of 2010, where Sweden holds an approximate two percent share. Germany and United Kingdom account for 20 and 19 percent respectively.

**Figure 13 Share of imports of footwear from China\* and Vietnam (2010)**



Source: Created by authors, based on data by Eurostat, 2012a.

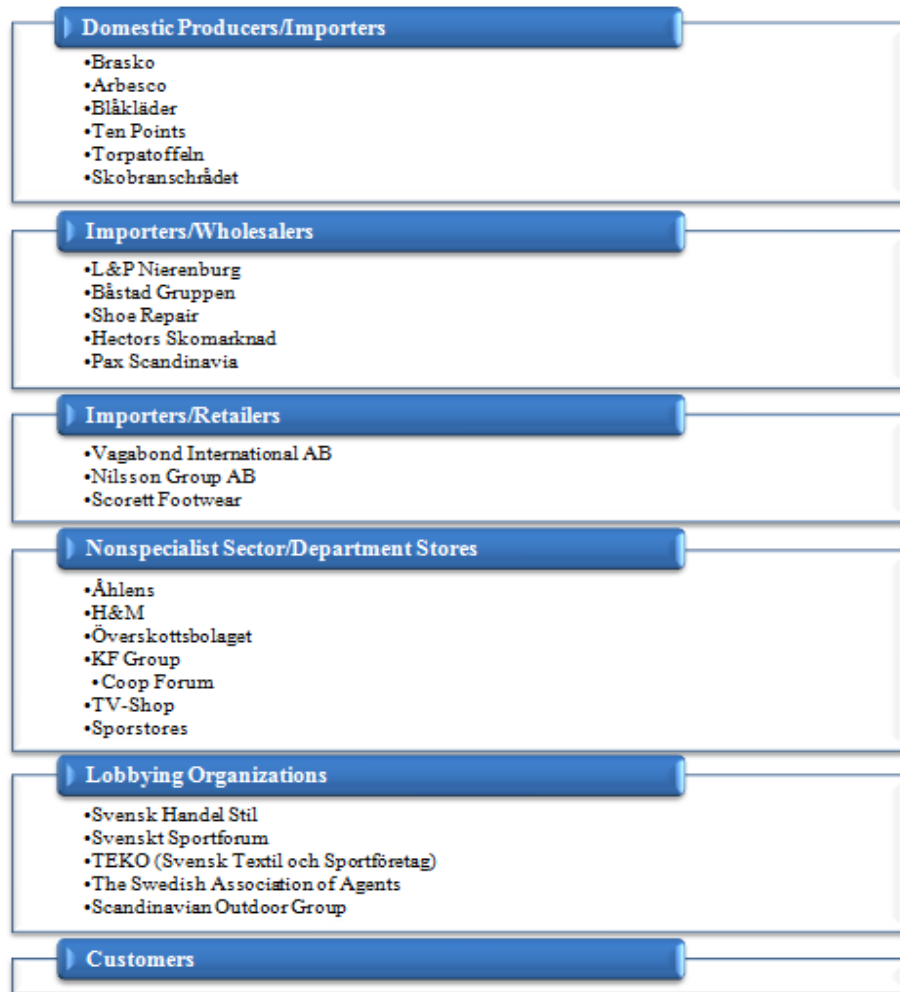
Note: Footwear is defined SITC 851 in the UN system.

### 4.3 Swedish importers/retailers

The main importers/retailers in the footwear industry in Sweden are *Vagabond International AB*, *Scorett Footwear AB* and *Nilson Group AB* which have all located their HQ in Varberg. Figure 14 gives a broader overview of the different actors in the Swedish footwear industry. It aims at clarifying the structure of the Swedish footwear industry, in as much detail as possible, as it constituted an important part in the delimitation section of the report. These actors have been identified by the use of CBI (2010b) as well as by searching for information on company websites. However, *Scorett Footwear AB* is not in the empirical study, as they do not import much footwear from Asian countries (Ljungsvik, 2012).



**Figure 14 Main actors in the Swedish footwear industry**



Source: Authors' own illustration

#### *4.3.1 Why Varberg?*

According to Eliasson (2008) some 70 percent of all imported shoes to Sweden enter through Varberg. It began in the 1950s in Åskloster, Halland where Rolf Nilson, the founder of Nilson Group, began his shoe-imperium, a fact which the interviewed managers for Nilson Group AB and Scorett Footwear AB agree with (Kemi, 2012; Ljungsvik, 2012). He was the first importer of shoes from Asia to Sweden (Axenbjer, 2012). According to Kemi (2012) the company is now over 50 years old and during that time, the staff from the company has gained a lot of knowledge and many of them have gone to start their own business within the shoe industry or began working for a competitor. Vagabond International AB a competitor of Nilson Group is owned by Mats Nilsson, son of Rolf Nilsson (Axenbjer, 2012).

## 4.4 Interviews

The questions which we based the interviews upon on can be found in **Appendix G**.

### 4.4.1 Background of the companies and organizations

**Nilson Group AB** is a retail chain with its HQ located in Varberg. They import their shoes from China and Vietnam. The firm has several different outlets, such as *DinSko* - Cheaper alternatives at a medium price with 140 stores in Sweden, Norway and Finland; *Nilson Shoes* - Higher quality shoes which are a bit more expensive than those found at DinSko; *Radical Sports* - Only focused on sneakers and sport shoes with brands such as Nike, Adidas, Puma, Lacoste, etc; *Jerns* - Classic ladies and men's shoes focused on high quality and well known brands and *Skopunkten* - Have basic shoes with a lower price targeted at all members of families (Nilson Group AB, 2012). Nilson Group AB accounts for approximately 25 percent of the market share in Sweden (Kemi, 2012).

**Vagabond International AB** is an internationally traded brand which, like Nilson Group AB has its Swedish HQ in Varberg. Its production offices are mainly located in Portugal and Asia although their HQ contains a unique workshop for prototypes, which allows them to keep their RDD in-house, placing them in between the traditional producer and the pure importer. The company utilizes the retail concept and their products can be found at their own Vagabond stores as well as at several outlets such as Nilson and Scorett stores (Vagabond, 2012). The market share is not a measure that the company works with. Annually, they produce two million pairs of shoes, sold in more than 20 countries. About 40 percent of these shoes are sold in Sweden. For Vagabond International AB, it is more important to increase the total number of shoes they sell and the number of places where Vagabond is being sold (Axenbjer, 2012).

**Svensk Handel Stil** is an organization that includes more than 13,000 member companies, active across retail and wholesale trade. The organization gives industry specific service to its members, spreads news and information and works closely with the government, authorities, media and other international organizations. There are about 3,000 members in Svensk Handel working within the clothing and textile industry and these members are given help and information by Svensk Handel Stil. By working closely with organizations such as the AEDT, Svensk Handel Stil wants to influence and affect questions regarding the fashion industry. The

goal is to have more transparent and simpler rules in Sweden and internationally, and fewer barriers to trade. The environment, production safety and quality in the countries of production are also prioritized by Svensk Handel Stil (Svensk Handel Stil, 2012).

**Weyler Consulting & Information** founded in 1997, has up to 2005 predominantly been involved with the Swedish International Development Cooperation Agency, directly or indirectly. Main activities are lecturing to exporters in South Africa, Vietnam, Laos, Estonia, Lithuania and Ukraine on European trade policies and also on the North European textile and clothing markets in general. The fundamental part of the company's activities are consulting services to Textilimportörerna about the European trade policies that affect textile-, clothing- and shoe importers, environmental as well as CSR issues. The work for Textilimportörerna includes lobbying for free trade (Weylers Consulting & Information, 2012).

#### *4.4.2 Results of the interviews*

##### **1. Attitude to trade barriers**

As a believer in free trade, Axenbjer (2012) at Vagabond International AB does not favor any type of trade barriers but rather that everyone should act upon the same principals. Antidumping duties are discrediting countries outside the EU and making countries within the EU lazy. Trade barriers also put strains on the environment, which she does not like. However, Kemi (2012) at Nilson Group AB states that, in general terms, barriers to trade remain an important tool for political strategies, as long as they are used correctly. Sandow (2012) at Svensk Handel Stil is generally against any attempt to regulate trade through various protection tools. Her comments are somewhat aligned with Axenbjer as they are also strong believers in fair and free trade and against any kind of trade barrier. According to their view, the antidumping duties are designed to protect the European interest and give the European industry some sort of artificial breathing. By looking at the case of the footwear industry and the punitive tariffs on shoes, the major concerns and willingness to implement the antidumping duties were mainly coming from Italy. This is due to the recent situation, where Asian quality has started to catch up to the level of quality of the Italian shoes. Italian shoes have a fantastic quality which they can claim higher prices of, yet the majority of the Italian industry cannot deal with the price competition from Asian countries. It is in some ways sad for the Italian counterpart, but that is how it works in a free market. Regarding this specific European antidumping case, Weyler (2012) at Weyler Consulting & Information is

very critical towards the investigation process by the EC and therefore does not think that a similar trade barrier will be implemented in the near future.

## **2. Effects of antidumping duties**

When it comes to the effects that the antidumping duties on footwear imported from China and Vietnam had on the footwear industry, Axenbjer (2012) claims the very low levels of salaries in Asia allow for access to cheaper shoes than ever and further consumption more than necessary because of it. The production of footwear in these countries has not decreased due to the antidumping duties, but instead antidumping duties only decreased the salary of the workers actually producing the shoe. The workers in the low cost labor countries, which have been put under severe pressure by the antidumping duties, have gained nothing out of it. It is the total cost that decides the location of production. If cost of materials, duties and transportation costs are constant, the only negotiable cost is the salary. This is why more and more production is located where salaries are the lowest, which are the poor countries. If these duties did not exist, she believes the worker would have gained a little more. But duties have also gained countries like Vietnam and increased their economy by creating more jobs that otherwise would have been created in China. However, she does not think that the antidumping duties gained the co-workers in Europe to the extent they were meant to. Even though Kemi (2012) was not at her present position when the antidumping measure was enforced, she cannot see that antidumping duties actually benefitted European manufacturing in any way. The switch to lower cost production countries in her opinion did not alter its course due to these antidumping duties. The companies' goals and strategies were not altered, but instead Nilson Group AB continued pursuing the strategies they already had by building up their supplier base and production as well as production offices in China and Vietnam. Interestingly, they also continued to increase their production volumes there, even though the antidumping duties were in place.

Axenbjer (2012) mentions that keeping the cost down is important, but she thinks that the high knowledge within the company is the result of that more than anything else. She believes that the high production costs in Europe were the main reason that companies started to seek alternative production places. Historically, the footwear sector and notably importing shoes from China to Sweden and other European countries were subject to quotas. She compared the European situation with the US. The US did not have the quota system and managed to produce

a lot of sport shoes in China. Their factories in China were big and they demanded high quantities. Therefore, Vietnam became more and more interested in the European perspective when looking at alternative producing countries, since Vietnam has a very good position in terms of salaries. During the 21st century, Vietnam has increased its production facilities, while leather industry began to proliferate in countries such as Thailand and India, to be able to supply the leather shoe producing factories both in China and Vietnam. Antidumping measures might have helped the competitiveness of some European countries with low salaries such as Rumania, Bosnia and Bulgaria among others. Vagabond International AB has, however, not produced shoes in these countries while not considering leaving Vietnam which still remains a cheaper alternative. European salaries are still higher, even though many people believe that production is moving back to Europe. This is something yet to be found out. Producing a shoe today is a complicated process and changes in strategy are to be made carefully. She also argues that production in Asia is very effective and smooth while in Vietnam, the knowledge of producing shoes is high as well as the willingness to learn how to produce high quality shoe products.

Weyler's comments are in agreement with the other interviewees and add that barriers to trade are useless and do not help the industry which they are intended to help but instead punish those not intended to. They also lead to stagnation of the economy (Weyler, 2012).

### **3. Active in lobbying**

Neither Vagabond International AB nor Nilson Group AB was active in lobbying during the European antidumping case (Axenbjer, 2012; Kemi, 2012). However, worth mentioning is that Svensk Handel Stil was hesitant towards the investigation process which led to the decision to implement antidumping duties in regards to the Chinese leather shoes (Sandow, 2012). Svensk Handel in collaboration with sister organizations in the Netherlands and Ireland and their lobbying channel in Brussels, the AEDT organization, wrote a joint letter to the European commissioner, Peter Mandelson, in order to influence the decision made in 2006 to implement the antidumping duties (Sandow, 2012). They pointed out the absurdity of implementing a proposal that only three European countries were in favor of the duty imposition and 14 countries, with Sweden being one of them, against it. By doing so, they wanted to make a clear statement that they are against any sort of protectionist measures, directly affecting importers and

consumers. After speaking to Svensk Handel Stil it is clear that they are still against any barriers to trade as the latter do not lie in the community interest and inhibit free trade.

Furthermore, the Swedish Ministry for Foreign Affairs (Regeringskansliet) in October 2006, wrote a statement to the EC in which they expressed their view in this matter by making a clear statement that *“Sweden is strongly against imposing definitive anti-dumping measures on leather footwear from China and Vietnam and remains firm in rejecting any Commission proposal introducing the measures”* (Sandow, 2012). They believed that the Community interest was not carried out appropriately and they continued by stating that antidumping duties would have adverse and disproportionate effects on other actors involved in the footwear industry, such as designers, importers, marketers, distributors and retailers. Antidumping duties would result in an overall welfare loss for the EU as a whole. They ended up their statement by putting emphasis on the responsibility of the EC and the Council to ensure that antidumping duties are not affecting the interests of the Community. Sweden’s main objective is to serve the Community Interest.

According to a press release made by EuroCommerce, BEUC and AEDT in September 2008, they urged the EU to terminate the antidumping duties on leather shoe imports from China and Vietnam claiming that, especially for Vietnam, the duties were particularly from a development point of view (Sandow, 2012). The general opinion is that those companies, which are unable to adapt to free trade and the challenges that come with an open market, should not be the ones to decide the terms of trade at the expense of those who are able to exploit the opportunities and gain competitive advantage through low labor cost, economies of scale and so on. BEUC argued in the press release that the antidumping duties would strain the consumers’ purchasing power. However, it is not only the antidumping duties as such that are questionable, but the lack of transparency and predictability that comes with it: lack of predictability in terms of lack of clarity attached to the duties; and lack of transparency in terms of the situation where businesses are unable to plan ahead because of it. They highlighted, therefore, the urgent need for more clarity and transparency in the European trade defense system.

#### **4. Impact of CSR policies**

In the question regarding to whether the companies have ever turned to CSR, or other TBT, as an instrument to restrict imports from non European countries, Kemi (2012) stated that they do use CSR as an important factor when choosing what vendor to work with. They also look at the

current situation regarding CSR issues when investigating new potential markets. There are certain minimum requirements which each supplier need to fulfill before becoming a vendor to the firm. These requirements are not on market level but general and so far the firm has not needed to say no to an entire market due to only one specific supplier. Axenbjer (2012) said that Vagabond International AB does not use CSR at this time as a tool to restrict imports from non-European countries. However, all factories where the company produces shoes need to fulfill special requirements in terms of material used and craftsmanship

### **5. Future manufacturing and location strategies**

Vagabond International AB has initially produced shoes in Italy and later in Brazil and Portugal. Nowadays, most of the production is handled in their production office in Vietnam while also buying shoes from China. According to Axenbjer (2012), some shoe production will remain in Europe and some will continue in Asia. Two important factors, salaries and knowledge, are really setting the standards from where the shoes are produced. Being so, producing in Europe will cut the lead time, but in most cases it is still more expensive to buy a European manufactured footwear product. She believes that changing manufacturing procedures takes time and it is not easy changing from one factory to another just because of price fluctuations. Regarding the removal of the antidumping duties and any possible changes that might happen in the footwear industry, Kemi (2012) does not believe that this will change the market much, as antidumping duties are not the driving force for change in this industry. Very restrictive trade barriers might have more effect on the restructuring of the industry, or other factors like lead-time, higher focus on CSR, prices and lack of workforce in low cost production countries and so on. Weyler (2012) does not think that there will be any drastic changes with the removal of the antidumping duties. China's and Vietnam's share of exports will increase of natural reason with the removal of the antidumping duties. Concerning alternative countries of production, India and Indonesia are likely to keep their elevated positions which increased during that antidumping period. Whether or not the final price for shoes is going to be lower is difficult to foresee since prices are already quite low.

## **CHAPTER 5: ANALYSIS**

*The chapter outlines the analysis of our empirical research findings. First, we combine the theoretical framework with our findings. We start to repeat the research questions to further identify data that can be linked to the purpose of our study. Finally, we discuss and summarize the most interesting aspects that we found to be of significance of the different business strategies followed by the footwear companies.*

### **5.1 Analysis**

**Sub Question 1.** *Has the European trade policy affected the strategic behavior of the importers/retailers when it comes to countries of purchase, prices, qualities, market segments, organizational purchasing etc?*

According empirical information, the general finding is that barriers to trade do not have the results they are supposed to have. They are often useless and result in stagnation of the domestic economy. The interviewees stated that the intended outcome of the antidumping duties was to protect the European footwear industry, and it was mostly a case driven by those companies which were unable to compete in the international free market. It seems as if the Swedish companies were not negatively affected by the antidumping duties but instead they managed to increase their import volumes partly, as Axenbjer (2012) said, due to the low salaries of the workers in Vietnam and China.

Kommerskollegium (2012) and European Commission (2012a) stated that some high quality footwear segments are characterized by high level of knowledge when it comes to the production process, which requires specialized workforce. Our empirical findings support the fact that the workers in Vietnam producing shoes for Vagabond International AB have acquired the necessary specialized knowledge and they still are willing to learn more. Also, as a spillover effect Thailand and India began supplying the production factories in Vietnam and China. As such, it seems that the European trade policy did not affect the strategies of the interviewed importers/retailers. Vagabond International AB does not consider changing country of purchase due to antidumping duties, while Nilson Group AB will continue the same strategic behavior they are already pursuing. Moreover, among the core principles of Vagabond International AB is to create value for money and offer high quality shoes. Hence, they do not consider changing



their prices or their quality due to any sort of barriers to trade. Nilson Group AB has different segments for different consumer demands and antidumping duties did not affect or alter their decisions on market and price segmentations.

According to Kommerskollegium (2012) importers who buy design from someone else can easily shift to alternative suppliers in order to find the best available offer at the moment. This, however, is contradictory to European Commission (2006a) stating that importers/retailers are committed to a price for their order which may not be delivered until later on. Changing supplier does not happen overnight but takes time and effort resulting in high costs. It seems as if the companies we interviewed have not considered shaping their geography of manufacturing by changing suppliers or countries of purchase. They continue the same corporate strategies and the same sourcing decisions by increasingly building their supplier base and production offices in China and Vietnam. We can further assume that this supports the fact that they were not negatively affected by the antidumping duties. Vagabond International AB supports European Commission (2006a) and we assume that it is difficult for them to change supplier because of the cost, time and effort it takes to transfer the knowledge somewhere else.

Also, in regards to the characteristics of the product, the upper of the shoe needed to consist of 51 percent leather to be affected by the antidumping duties. Some manufacturers would make product modification thus classifying the product as a textile or plastic shoe, avoiding the antidumping duties. This is one explanation of why the Chinese exports were not affected to the same extent as the Vietnamese, as can be seen in figure 4 and 12. As we explained in the background of the paper it goes to show that China had a greater incentive to make product modifications than Vietnam.

Further, Gereffi (2011) states that despite the changes in the institutional context and the governance structure of the footwear industry, China was the big winner when it comes to the GPN of footwear. According to our statistical data, his view is verified as China was the leading supplier throughout the antidumping period. This fact is additionally supported by Weyler (2012) who confirms that China was, at the end of the antidumping period, still the major supplier of shoes to the EU27 which once more means that the antidumping duties did not have the effect they intended to.

According to our theoretical framework the antidumping trade policy is the most complex and controversial agreement of WTO law. Antidumping is meant to be an instrument to shelter domestic industries from international price discrimination (Mavroidis et al, 2010; Van den Bossche, 2008); however, Weyler (2012) strongly believes that antidumping does not help the industry which it is intended to help, but instead punishes those not intended to. His view is somewhat aligned with Cuyvers and Dumont (2005) and Wenxi (2003) in our theoretical findings, who state that countries or firms often use antidumping for strategic or protectionist reasons. In our view, trade barriers often restrict access to foreign markets and companies to make use of their competitive advantage. In the footwear case, antidumping seemed to be imposed as a protectionist tool for companies mainly located in the southern Europe to protect themselves from the threat of increasing imports. However, the Swedish importers/retailers had no difficulty in coping with the surge of Chinese and Vietnamese imports. Having for a long time outsourced a bulk of their manufacturing activities, they were able to keep their costs down and remain competitive (Eckhardt, 2011; O’Konor & Brange, 2011). The imposition of antidumping duties did not help the domestic industry to protect itself. The switch to lower cost production countries will not change due to the duties (Kemi, 2012); instead it will continue as a natural outcome of the economic globalization and the increasing specialization and disintegration of production (Gibbon et al., 2008).

In regards to CSR, our theoretical findings state that all products, domestic and imported, are subject to specific requirements in regards to their characteristics and production process (Mavroidis et al., 2010). They are technical regulations and standards and they are used to protect the environment, human health and ensure the quality of products, while producers have to design their products in regards to these specifications. Brenton et al. (2000) and Van den Bossche (2008) raised some concerns related to this issue, as these requirements might be used as TBT. All production factories of Vagabond International AB are subject to and need to comply with special requirements in terms of material used and craftsmanship. However, they do not seem to use these as TBT or protectionist tools and for the time being, they have not turned to CSR for this reason. Yet, Nilson Group AB looks at CSR issues and applies general minimum technical requirements and standards when they have to decide about a new potential market or a

new supplier. They have never used them as a tool to restrict imports nor to affect market competition by refusing to trade with an entire market due to one supplier.

**Sub Question 2.** *Have Swedish importers/retailers taken active steps to influence the Swedish government and/or the EC in this respect, and, if this is the case, have these measures been successful?*

The Swedish interviewed companies state that they were not involved in lobbying in order to influence the decision making process, but as Weyler (2012) states, their views are represented by Textilimportörerna, a Swedish lobbying organization. Weyler's point of view supports the study made by Eckhardt (2010, 2011) showing that European importers and retailers took part in the European antidumping investigation for the imposition of duties. Svensk Handel also works in that direction, which is to promote the interests of their members across retail and wholesale trade. According to the information received from Svensk Handel Stil, lobbying in Sweden is done at a higher level. The Swedish Ministry for Foreign Affairs wrote a statement to the EC in which they expressed their view in this matter, by making a clear statement that Sweden was against the imposition of trade barriers that only few countries actively voted for. Svensk Handel Stil also questioned the European antidumping investigation process and whether this was in line with the overall European Community Industry. An antidumping investigation requires extensive information, which can only be supplied by the interest groups as they are in direct contact with the companies they represent (Klüver, 2012b). The author states that the interest groups often modify the information gathered to achieve political outcomes that are aligned with their goals and may not represent the overall community interest. They often influence government officials with the use of multiple modes (Marshall, 2010). Weyler (2012) also questions this fact and the investigation process, especially the fact that an antidumping measure can be applied with abstentions counted in favor, complementing the concern raised by Cuyvers & Dumont (2005). The voting system of the antidumping investigation process as well as the objectivity and motivation of those countries not present in such a debated and highly politicized investigation are also questionable. BEUC tried to influence the decision making process pointing out the negative impact of the antidumping duties on the consumers' purchasing power. According to the theoretical framework, a large number of both national and international interest groups

participate to influence the decision making process towards their preferences (Klüver, 2010a, 2010b; Lloyd, 2008), which can also be seen in the specific footwear case. Despite that the Congress establishes certain rules to regulate lobbying (Klüver, 2010b; Lloyd, 2008), it seems from our empirical data that the process still lacks transparency and clarity. This is what AEDT and BEUC highlight, the urge need for more clarity and transparency in the EU trade defense system.

**Sub Question 3.** *What steps will be taken if and when the present trade barriers will be removed compared to their present strategic behavior? What are the alternatives?*

As was mentioned before, there will not be any drastic changes in the footwear industry besides increased imports from Vietnam and China. Whether or not the final price for shoes is going to be lower in the future, is difficult to foresee since prices are already quite low. Nilson Group AB has similar opinion and does not believe the market will change much, as antidumping duties are not the driving force for change in this industry. Instead what might change a firm's strategic behavior are more restrictive trade barriers, changes in lead time, more focus on the CSR agenda, prices and lack of workforce in low cost production countries.

The footwear industry is a BDCC where the buyers, importers and retailers, are forced to respond to the increasing demands from consumer to deliver quality shoes for a low price. The footwear industry contains a competitive production system and low entry barriers to manufacturing (Mahutga, 2012). The changes occurred to the institutional context and the governance structure of the industry, caused a phase of consolidation among lead firms and countries and few capable suppliers (Bair, 2008; Gereffi et al., 2005). Since India and Indonesia have begun exporting more shoes to the European market, they have proved themselves as a reliable and capable source of supply to the industry. Moreover, Brazil, according to Weyler (2012), is another alternative supplier which may also increase their exports in the future because of their well-known cattle industry which can provide the footwear industry with leather.

## **5.2 Business strategies in a broader context**

All companies follow a strategic plan which objective is to create competitive advantage. The companies we interviewed are among the leaders in the Swedish footwear industry. Their goals are to maintain and increase their market share, earn large profits and meet or surpass their

customers' expectations for distinct products. Their business strategy focuses on choosing the most appropriate materials to be used in the production process and the most capable suppliers who would supply the best product at a low cost.

In an evolving environment, Porter (1985) stated that the survival of an industry lies in its most powerful features and resources. Each company has to utilize its strengths and capabilities to cover the emerging market demands. The globalization of the discussed footwear industry forced the footwear companies to restructure and adapt their strategy to survive (Eckhardt, 2010, 2011). Consequently, part of their business strategy was the relocation of manufacturing activities at low labor cost countries mainly in Asia, in order to exploit competitive advantage. The geography of manufacturing and the sourcing decisions and operations of the footwear companies are designed to capitalize on their efficiency, while also ensuring high quality products. For instance, Vagabond International AB outsourced their non-core competencies to foreign low cost locations and kept the more competitive and core activities at home. This strategy of offshoring the manufacturing activities has the objective to make the companies capable to compete in the global environment, to maintain their market shares and also to create value for customers. (Fuerst, 2010; OECD, 2007)

The Swedish footwear industry is very focused on the design and the look of a shoe (CBI, 2010b). Vagabond International AB and Nilson Group AB have differentiated themselves within the industry by upgrading their value chains. Vagabond International AB also increased their production capacity since opening production factories in Vietnam. We can assume that the growth of the production capacity of the company will increase the number of shoes and may introduce more types of shoes, which then will increase their market share. We can assume that they are both oriented towards a growth strategy, which will lead to an expansion of their distribution network through which they offer and sell their products and that of their retail outlets.

Therefore, the business strategies of those companies in a broader context are based on cost structure, differentiation and value creation for customers, thus enhancing competitiveness. Firms pursuing those strategic motives seem to have hardly been affected by external influences

and pressures from the global environment, such as the discussed antidumping trade policy. These strategies enable them to remain active and continue to exist.

At the other end of the shoe industry, we meet those companies which did not follow the global trends and continued domestic production of shoe products. They consist of few firms which are geographically concentrated and consolidated in industrial clusters and districts, such as those found in Italy or Spain. These firms, mainly due to their small size, find it difficult to relocate their production to low wage countries or to specialize in niche markets. Adjusting their business strategy is a complicated process, since shoes incorporate fashionable and seasonable elements, and thus is often costly and risky for their existence (Ekhardt, 2010, 2011; O’Konor & Brange, 2011). Thus, they are unable to preserve a sustainable competitive advantage in a globalized economy, which put additional damages to their competitiveness. Even high quality is not enough to help them survive, as the Asian quality has begun to approach and exceed the quality of the Italian industry. Their business strategies concentrate on the political strategy of lobbying. As we already mentioned, lobbying is the development of extensive and privileged relationships with the legislators and officials of the Directorate for Trade Defence. Their strategy is to mobilize politically and quite heavily to promote their organized interests and defend their market shares.

## **CHAPTER 6: CONCLUSIONS**

*This chapter presents the main conclusions that answer our main research question and we further conclude by discussing some suggestions for further research.*

### **6.1 Conclusion**

The main objective of companies is to sustain competitive advantage which forced the creation of the GVC/GPN framework. The shoe industry is characterized by increasing outsourcing, global supply of and globally traded products and, has been affected for a long time by increasing globalization and disintegration of production. The global trends have shifted its institutional context and governance structure for many decades, while many companies also obliged to adjust their strategies. However, the environment in which the footwear product is set in is governed by trade rules. Trade regulations restrict foreign market access and developing countries to exploit their advantage, while also affecting the value chain and global trade of footwear. Interestingly, they affect all actors involved in the industry which is why many of them often develop political strategies to cope with it.

To answer our main research question, it is clear that on a national level the antidumping duties did not have any negative effects on the Swedish retailers importing from China and/or Vietnam nor did they have much effect on their value added activities. Their strategy has remained the same keeping high levels of imports and even increased their imports. And they also do not consider adjusting their strategy because of the expiration of the antidumping duties. This is because manufacturers may have placed a heavier burden on the workers by lowering their salaries, or modified their products in order to avoid the antidumping duties. Still, both Vagabond International AB and Nilson AB are against barriers to trade as they do not benefit the economy or the market. The same attitude towards barriers to trade was expressed by the Swedish lobbying organizations, Svensk Handel and Weyler Consulting & Information.

Summing up, this study has found that clearly the antidumping duties did not have the effects they intended to. China, which was the main exporter of footwear prior to antidumping duties, remained the top exporter at the end of the antidumping period as well. This may be due to the strategy of the Chinese manufacturers whom by altering the leather composition of the shoe were able to avoid the antidumping duties. As the shoe had to be 51 percent made out of leather to be

invoked by the antidumping duties, they could simply switch it to textile or plastics shoe. There was a much greater incentive for Chinese manufacturers to do so than the Vietnamese, as Vietnam already had a GSP agreement with the EU27 making the switch to textile or plastic shoe less beneficial. The massive debate about this case is also interesting as many lobbying organizations that were against the antidumping duties were very critical towards the investigation process made by the EC. This may affect the future investigation process in similar cases, as there were talks about using unfair and improper means of decision influence, such as cheating and bribing amongst members. Yet, lobbying will remain an important tool in dealing with European legislation and the notion of unfair trade, as a possible reform of the antidumping investigation is yet to come. Concerning future alternative exporting countries, India, Indonesia, and Brazil are countries which benefitted from the antidumping duties as their exports rose during the antidumping period. If they keep their share and are able to develop a competitive advantage perhaps more countries will buy their exports, including Sweden. Future scenarios in the footwear industry may include more restrictive trade barriers, changes in lead time, more focus on CSR, prices and lack of workforce in low cost production countries. Although it is difficult to predict, these factors may influence the future strategies of the actors in the footwear industry.

## **6.2 Future Research**

Even though the empirical findings of this study are promising, much remains to be done. The theoretical framework presented here, and then tested based on interviews of Swedish lobbying organizations and large retailers, is needed to be tested further in the European level and in other countries' and actors' perspective. For instance, what is out of the scope of this study is how the Italian producers were affected by the antidumping duties. As they were actively lobbying for the antidumping duties in order to protect their market share, it would be interesting to know if they benefitted from these barriers to trade and how by talking to the companies.

Also, it would be interesting to follow any future ruling concerning repayment of antidumping duties to European companies, which imported shoes from China, and whether it will extend to all Chinese manufacturers as well as the Vietnamese ones.



Also, according to the CN codes, our data range from 6401 to 6405 and covers the entire spectrum of footwear. To further narrow the study, one could compare the imports of chapter 64 at a more detailed level. For instance, the product affected by antidumping duties was found in 6403. Since we include textile and plastic shoes in our data, it would be interesting to see any changes in imports between all sublevels to 64 (6401, 6402, 6403, 6404, 6405 and 6406). By doing so, one could investigate how much the import of textile and plastic shoes increased compared to leather shoes, which could be explained by product modification in order to avoid the antidumping duties.

One could also make a study of the decision of the EU to treat China and Vietnam as NME, while most of the countries consider them as market economies. According to our data, four Chinese exporters pledged for market economy treatment or individual treatment in the antidumping case, where importers of leather upper footwear were reimbursed for paid antidumping duties. Thus, one could further the study by investigating the NME status of China and Vietnam and why Brazil was chosen as a third country proxy in the antidumping investigation.

Another important contribution to the research could be an interview with the DG Trade and the EC, in regards to how they have acted during the debated antidumping case and how the interest groups tried to influence the organization's legislators; lobbying and the transparency of the existing administrative and political system could be investigated from the inside. Also, due to the immense criticism by Swedish lobbying organizations in this case, changes in the investigation and decision making process in the EC should be expected and followed.

We have delimited our study to the direct imports. One could investigate the indirect imports to the EU27 through third trade partners or trade houses to find out how much trade has been diversified by shipping from China and/or Vietnam to, for instance Singapore or any other country close by, in order to avoid the impacts of antidumping duties.

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## Appendices

### A. Footwear products and their tariff levels in 2008 and 2012

Taric Number	Description			
6403 20 00 20	Footwear with outer soles of leather, and uppers which consist of leather straps across the instep and around the big toe			
6403 99 05 15	Footwear incorporating a protective toecap and an impact resistance of at least 100 joules (the impact resistance shall be measured according to European Norms EN345 or EN346)			
6405 10 00 89	Footwear incorporating a protective toecap and an impact resistance of at least 100 joules (the impact resistance shall be measured according to European Norms EN345 or EN346)			
	China 2008-01-01	China 2012-01-01	Vietnam 2008-01-01	Vietnam 2012-01-01
6403 20 00 20	16,5%	8%	10%	8%
6403 99 05 15	16,5%	5%	10%	5%
6405 10 00 89	16,5%	3,5%	10%	3,5%

Source: Created by authors, based on data by Tullverket, 2012.

**B. CN codes and additional TARIC codes**

CN Codes	Additional Taric Codes	CN Codes	Additional Taric Codes
6403 2000	20, 80	6403 9113	95, 98
6403 5105	15, 18, 95, 98	6403 9116	95, 98
6403 5111	91, 99	6403 9118	95, 98
6403 5115	91, 99	6403 9191	95, 98
6403 5119	91, 99	6403 9193	95, 98
6403 5191	91, 99	6403 9196	95, 98
6403 5195	91, 99	6403 9198	95, 98
6403 5199	91, 99	6403 9905	15, 18, 95, 98
6403 5905	15, 18, 95, 98	6403 9911	91, 99
6403 5911	91, 99	6403 9931	91, 99
6403 5931	91, 99	6403 9933	91, 99
6403 5935	91, 99	6403 9936	91, 99
6403 5939	91, 99	6403 9938	91, 99
6403 5991	91, 99	6403 9991	95, 98
6403 5995	91, 99	6403 9993	25, 28, 95, 98
6403 5999	91, 99	6403 9996	25, 28, 95, 98
6403 9105	15, 18, 95, 98	6403 9998	25, 28, 95, 98
6403 9111	95, 98	6405 1000	81, 89

Source: Authors' own illustration based on data by European Commission, 2009.

### C. Chapter 64 of the Combined Nomenclature

64	FOOTWEAR, GAITERS AND THE LIKE
6401	<i>Waterproof footwear with outer soles and uppers of rubber or of plastics, the uppers of which are neither fixed to the sole nor assembled by stitching, riveting, nailing, screwing, plugging or similar processes.</i>
6402	<i>Other footwear with outer soles and uppers of rubber or plastics.</i>
6403	<b>Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather.</b>
6404	<i>Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of textile materials.</i>
6405 (10 00)	<b>Other footwear: With uppers of leather or composition leather.</b>
6406	<i>Parts of footwear (including uppers whether or not attached to soles other than outer soles); removable insoles, heel cushions and similar articles; gaiters, leggings and similar articles, and parts thereof.</i>

Source: European Commission, 2011.

## **D. European and Swedish Federations / Lobby Organizations**

### **D.1. European federations**

#### *- European Confederation of the Footwear Industry*

The organization represents the interests of the European footwear industry. They consist of 13,500 footwear manufacturing companies in 15 European countries and four associate organizations. The organization has changed to fit and cover better the needs of the European manufacturing industry. Their aim is to improve competitiveness of the sector without cumbering their members. Among their activities is the development of innovative projects and joint international promotion actions. They also takes active steps and position to defence the international principles of the footwear trade (Footwear P&P ETP, 2012).

#### ***1. Non-sector (peak) specific organizations:***

##### *- EuroCommerce*

*EuroCommerce* represents the European commerce sector including retail, wholesale and international trade sectors. They consist of commerce organizations together with European and national associations from 31 European countries. They are interested in achieving transparency, clarity and improve the quality of European legislation. They represent and promote the preferences of their members. At the same time they participate in the European social dialogue informing their members of any European development (Eurocommerce, 2012).

##### *- Foreign Trade Association*

The *Foreign Trade Association* is a European and international commerce organization which believes and promotes the value of free and fair trade. The association brings together retailers, importers, brand marketers and national federations and works to improve the political and legal framework that governs the trade. It also represents the interests of importers and retailers and also questions the role of EC in the implementation of certain decisions and trade policies. When it comes to the antidumping case, the association believes that producers are not hurt by the imports to the extent they claimed instead antidumping duties have negative impacts on importers and retailers. For this reason, it asked the European countries to reject the EC's proposal to extend the antidumping measures (FTA, 2012). (EC was in favor of duties)

## **2. Brand specific organizations:**

### *-BEUC*

BEUC is the *European Consumers' Organization* and also a member of EuroCommerce. BEUC acts at a supranational level on behalf of the consumers' interest and was against the antidumping duties. Generally, the organization consists of 42 independent national federations from at least 30 European countries (BEUC, 2012).

### *- European Confederation of Shoe Retail Trade Associations*

The *European Confederation of Shoe Retail Trade Associations* or Ceddec consists of 13 footwear national federations with more than 80,000 footwear shops and six observer associations (CEDDEC, 2012).

### *-European Association of Fashion Retailers (AEDT)*

AEDT represents the European retail enterprises specialized in fashion shoes. AEDT, also member of EuroCommerce, consists of some 530,000 clothing and shoe retail companies and represents them in the EC decision making process (AEDT, 2012).

### *-European Footwear Alliance*

*European Footwear Alliance* was created by three federations: the European Outdoor Group, the Federation of the European Sporting Goods Industry and the Footwear Association of Importers and Retailers in Europe. The alliance, a supporter of free trade, was against any kind of barriers to trade and thus against the antidumping duties on imports from China and Vietnam. According to them, the antidumping duties were a protectionist tool and not a tool to rectify unfair competition (Eckhardt, 2010, 2011).

### *-European Outdoor Group*

*European Outdoor Group* was founded in 2003 by 19 large outdoor companies. Their products are mainly outdoor hiking and trekking, sport shoes. The group was created to respond to the increasing needs of international trade and to the complexity of the legislative environment (European Outdoor Industry, 2012).



*-Federation of the European Sporting Goods Industry*

The *Federation of the European Sporting Goods Industry* supports free trade both in the European internal and in the global market. The federation is based on Brussels and consists of 1,800 European sports manufacturers. It has access to the EC administrative trade system and direct contacts with government officials and trade policy makers (FESI, 2012).

*-Footwear Association of Importers and Retailers in Europe*

The *Footwear Association of Importers and Retailers in Europe* consists of roughly 100 European companies such as Columbia (France, USA), Clarks (United Kingdom), Deichmann (Germany), Wortmann (Germany), Leder & Schuh (Austria), Sketchers (USA) and Vivarte (France), with an approximate workforce of 90,000. The members of FAIR have a market share of 30 percent each and represent nearly 50 percent of the import volume in the EU (FAIR, 2012).

*-The European Branded Footwear Coalition*

The *European Branded Footwear Coalition* consists of highly recognized and branded companies such as Clark's, ECCO, Timberland, Kenneth Cole, Caterpillar Footwear, Merrell, Rockport, Hush Puppies, Sebago, Teva, Ugg and Simple. The coalition was very conscious of the antidumping investigation process and questioned the EC's role. For them, the case was too broad to target all shoe products regardless of their quality, segments and price. The antidumping investigation was rather biased since it did not take a stable economic basis and disregarded currency exchange rates (EBFC, 2012).

## D.2. Swedish Federations

### *-Agenturföretagen (The Swedish Association of Agents)*

The Swedish association of agents aims at facilitating the international trade for small companies. The organization functions under the organization: International Union of Commercial Agents and Brokers, which helps them to influence international law propositions towards their member's interests (Agenturföretagen, 2012).

### *-Stil- Sko & Textilhandalarna*

Member of Ceddec (CEDDEC, 2012).

### *-Svensk Handel Stil*

It is a member of AEDT. Svensk Handel Stil is an organization that serves the commerce sector. The organization includes more than 13,000 member companies, and is active across retail and wholesale trade. They act on behalf of large member companies such as H&M, ICA and smaller firms such as Intersport, Stadium and Lindex. Svensk Handel has representatives at EuroCommerce and exerts influence on the European decision making process (Svensk Handel Stil, 2012).

### *-Svenskt Sportforum*

Svenskt Sportforum is a Swedish association of manufacturers, suppliers and retailers of sporting and recreation goods. They monitor any development or change in the industry at a European and global level (Svenskt Sportforum, 2012).

### *-TEKO, Sveriges Textil- och Modeföretag*

TEKO is the Swedish Textile and Clothing Industries' Association. TEKO includes 149,000 Swedish textile companies and represents those at a national and international level in all matters of common interest (TEKO, 2012).

### *- Textilimportörerna (Textile Importers Association in Sweden)*

Textile Importers Association in Sweden works in the interest of its members in promoting free imports of textiles, clothing, leather goods and shoes, working actively to make the EU remove all barriers to trade (Textilimportörerna, 2012).

## **E. TBT Agreement**

Annex 1.1 of the TBT Agreement defines technical regulations as “*the document which lays down [the] product characteristics or their related processes and production methods, including the applicable administrative provisions, with which compliance is mandatory. It may also include or deal exclusively with terminology, symbols, packaging, marking or labeling requirements as they apply to a product, process or production method*” (WTO, 2012c: 132). The technical regulations must fulfill specific legitimate objectives such as national security, protection of health and environment. This means that they should not be more trade restrictive than their role and promote protectionism (Mavroidis et al., 2010; WTO, 2012c).

Annex 1.2 of the TBT Agreement defines standards as “*a document approved by a recognized body that provides, for common and repeated use, rules, guidelines or characteristics for products or related processes and production methods, with which compliance is not mandatory. It may also include or deal exclusively with terminology, symbols, packaging, marking or labeling requirements as they apply to a product, process or production method*” (WTO, 2012c: 132). According to Annex 1.3 of the TBT Agreement, the conformity assessment procedures are “*any procedure used, directly or indirectly, to determine that relevant requirements in technical regulations or standards are fulfilled*” (WTO, 2012c: 132). However, WTO members can sign the Mutual Recognition Agreement, with which the products do not need to be assessed in the importing country to ensure that they meet the relevant regulations (Mavroidis et al., 2010; WTO, 2012c).

The TBT Agreement sets also the rules through which the national regulations of products, their characteristics and their production process are harmonized with international standards. This harmonization eases the conduct of international trade as the requirements in each different export market are minimized. According to the Agreement, the WTO members must use the international standards when applicable as the basis for their technical regulations (ibid.). Moreover, under the Agreement, developed countries have to assist technically and treat preferentially the developing countries (Mavroidis et al., 2010; Van den Bossche, 2008; WTO, 2012c).

## **F. Antidumping Agreement**

The Agreement on Implementation of Article VI of the GATT 1994 (the “Antidumping Agreement”) is a new agreement with a substantially modified content from that of the GATT 1947. According to article one of the Antidumping Agreement, a WTO Member may impose an antidumping measure to counteract or remedy dumping, only if the investigation indicates that dumped products are causing material injury to a domestic industry producing the like product and there is a causal link between dumping and injury. The articles of the Antidumping Agreement set forth the rules for determining dumping, injury and domestic industry together with specific provisions for the conduct of the antidumping investigation procedure and the imposition of antidumping measures (Mavroidis, Messerlin & Wauters, 2008; Mavroidis et al., 2010; Van den Bossche, 2008; WTO, 2012a).

Article two of the Antidumping Agreement regulates the determination and calculation of dumping. Dumping is properly identified when comparing the normal value of the product under examination to the export price of the like product. The normal value is the price of the product in question sold, in the ordinary course of trade, in the home market of the exporter, while the export price is the price of the like product in the importing country. In the absence of a like product in the importing country, a straightforward comparison can be made with a comparable price of the like product when exported to an appropriate third country (Mavroidis et al., 2008; Mavroidis et al., 2010; WTO, 2012a). The “ordinary course of trade” concept was adopted by Article VI of the GATT 1947 and neither Article VI nor any subsequent revision has provided a definition of it. According to Wenxi (2003), the ordinary course of trade indicates the normal or common nature of a business transaction. The “Antidumping Agreement” does not define the ordinary course of trade either, but mentions that the domestic sales and the sales to a third country of the like product, within a period of time, made at prices below cost are regarded as not in the ordinary course of trade (Mavroidis et al., 2010). Article 2.6 determines the like product which “*shall be a product which is identical, i.e. alike in all respects to the product under consideration, or in the absence of such a product, another product which, although not alike in all respects, has characteristics closely resembling those of the product under consideration*” (WTO, 2012a: 148).

Article three of the Antidumping Agreement regulates the determination of material injury and whether this injury has been caused by dumped imports. This means that a causal link must be confirmed, that it is the dumped imports that cause, threaten to cause injury and/or decelerate the business of a domestic industry. Other factors which may be causing injury need to be examined and injury caused by those factors must not be credited to dumped imports. Moreover, the article contains specific rules regarding the factors to be considered in determining the material injury, such as volume and price effects of dumped imports. The material injury is based on positive evidence and an objective assessment, without specifying that these factors are determinative. When dumped imports are originated from more than one country, then the authorities can collectively assess the effects of these imports only if the dumping margin from each country is not de minimis and the volume not insignificant (Vermulst, 2005; WTO, 2012a).

Article four of the Antidumping Agreement defines the domestic industry for purposes of assessing injury causation and imposing duties. Article 4.1 interprets the domestic industry as referring to “*the domestic producers as a whole of the like products or to those of them whose collective output of the [like] products constitutes a major proportion of the total domestic production of those products*” (WTO, 2012a: 150). The major proportion implies that 50 percent or more of the total production of the like product is produced by that portion of a domestic industry. The article also provides the definition of the domestic producers. Domestic producers are not part of the domestic industry if they are modern globalized companies and/or exporters as well as the importers of the dumped imports (Kommerskollegium, 2007, 2012; Mavroidis et al., 2010; WTO, 2012a).

Articles five to twelve of the Antidumping Agreement provide the rules for the antidumping investigation procedure. Some of its principles are: to ensure transparency of proceedings, a full opportunity for parties to defend their interests, and adequate explanations by investigating authorities of their determinations (WTO, 2012a).

Article five of the Antidumping Agreement determines the requirements for the initiation and termination of the antidumping investigations. An investigation shall be initiated when a written request is submitted “by or on behalf of” the domestic industry. In case there is not a written application, the investigation can continue if there is sufficient evidence of dumping, injury and

causality. The period of investigation endures for one year and in no case more than 18 months since its initiation day. An immediate termination is to be applied when the dumping margin is *de minimis*, which means less than two percent as percentage of the export price, or the volume of dumped products is insignificant (Mavroidis et al., 2010; WTO, 2012a).

Article six of the Antidumping Agreement affirms that the process of information gathering and sharing is conducted in a transparent way. All interested parties are to be given the chance to see the information, comment and participate in the investigation. Articles seven to ten of the Antidumping Agreement provide regulations regarding the types of measures, their scope and their duration the investigating authority can impose. Provisional duties can be applied no sooner than 60 days from the date of the initiation of the investigation and only from the date on which the determination of dumping, injury and causality has been made. Price undertakings are another measure, imposed when exporters agree to increase prices to the level of dumping margin. Final antidumping duties or definitive duties are imposed after a final determination of dumping, injury and causality. According to article eleven of the Antidumping Agreement, antidumping duties remain in place for five years, while their continuation is also possible if they are necessary to counteract dumping. Finally, article twelve of the Antidumping Agreement grants that the public is kept informed. Public notice requirements that intend to increase transparency must be issued any time, from the initiation of an investigation to the preliminary and final determinations (Mavroidis et al., 2010; WTO, 2012a).

## **G. Interview Guide**

### ***Questions regarding the firm***

Could you please give a brief introduction of your experiences in the industry and your current place in the firm?

How would you segment the different products that you offer? Have different segments been affected differently considering the antidumping duty? What is the approximate market share of your company in Sweden?

### ***Questions regarding the case***

1) What are your thoughts about anti-dumping and other trade barriers in general and how do you think that anti-dumping duties on footwear imported from China and Vietnam affected the footwear industry?

2) To what extent did it affect your company? Did it force your company to change its strategy when it comes to countries of purchase, prices, quality of the materials used, or overall purchasing strategy?

3) Was your company active in lobbying during the European anti-dumping case? If so, through which channels? Nationally or internationally?

4) Has your company ever turned to CSR, or other technical barriers to trade as a tool to restrict imports from non-European countries?

5) Do you think the footwear industry will change in the near future considering the removal of anti-dumping duties, such as a change in location or system of production? Will it affect the branding of products or its prices?

A few decades ago the center of footwear industry was located in Örebro. Nowadays, many footwear companies such as Vagabond, Scorett and Nilson Group have their HQ in Varberg. Do you have any thoughts of why that is?