

Canadian bike makers fear hit from cheap Chinese imports

Ottawa clears way to lift anti-dumping duties on product

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OTTAWA -- Canadian bicycle makers fear a big jump in rival Chinese imports after Ottawa cleared the way last week for the communist country to ship cheaper products here without incurring anti-dumping duties.

They warn that the move -- which could boost China's share of the Canadian bicycle market -- may cost Canada hundreds of bike manufacturing jobs.

Over the past decade, Chinese bike makers have captured about one-third of Canada's bicycle market, which is today worth about \$250-million in annual sales.

Anti-dumping duties that Ottawa put in place 12 years ago prevented Chinese companies from importing bikes at what Canada deemed unfair prices. On Sept. 1, Ottawa announced it's effectively lowering the price level at which China is allowed to ship bikes without triggering anti-dumping penalties.

That's because Ottawa has decided to stop treating China as a so-called non-market economy riddled with government intervention and subsidies. (China recently joined the World Trade Organization and has been lobbying other countries to win market economy status.)

Canada previously used cost of production data from a comparable market economy such as Taiwan to judge whether China was dumping bikes in Canada -- because it could not trust that Chinese bicycle makers were operating free of government control.

But Ottawa's new approach means it's using data directly from Chinese manufacturers, who operate extremely leanly, to verify these Asian producers are not dumping bikes below cost of production in Canada.

The result is that Canada now believes China can honestly produce bikes at a much lower cost than previously estimated and therefore Ottawa has to accept cheaper bikes as fair trade.

This means Chinese manufacturers will be able to ship bikes to Canada at prices as much as 25 per cent lower than they already do without being

penalized by anti-dumping duties, officials familiar with the case estimate. Ottawa refuses to comment on the potential impact, citing confidentiality.

The change will likely mean many more Chinese bicycles for sale at Canada's chain stores and big-box retailers.

The Canadian Bicycle Manufacturers Association, whose members include bike maker **Procycle Group Inc.**, warned in a statement last week that Ottawa's move could cause a "sudden and big increase" in Chinese bike imports and the "disastrous loss of hundreds of jobs in Canada."

The Canadian bike assembly sector is not huge. Major players include Procycle, and another big bicycle maker **Raleigh Canada Ltd.**, which together employ about 700 people in Canada.

They are considering appealing Ottawa's ruling on Chinese bicycles.

Michael Flavell, a lawyer for some Canadian bike makers, said Ottawa's move could force companies to shutter bike assembly operations here and instead switch to importing them in order to stay competitive.

He said Canada is "totally out of step with our trading partners" by treating China as a market economy. Procycle Group's finance director Daniel Maheux predicts other Canadian industries will find it much harder to get anti-dumping protection from China because of Ottawa's new approach to the Asian country.

"Today it's bicycles but in a few weeks or months it will be someone else," Mr. Maheux said.

Peter Clark, a trade consultant working for a major Chinese bike importer, rejected suggestions Canada has set a precedent by according China market economy status. Other countries have done this too, he says.

Mr. Clark said Canadian bike makers are not under threat of predatory pricing from China. "It's just the Chinese are so much more competitive than Canadians."