Domestic Struggles over International Imbalance:
The Political Economy of Anti-Dumping Governance in the EU

SHU, Min

Author Introduction
The author is lecturer at Centre for European Studies and School of Economics, Fudan University. He received his doctoral degree from University of Bristol (UK), in addition to a master degree in economics from Fudan University (China) and a master degree in European politics from Lund University (Sweden). His research focuses on international political economy, public opinion and European integration. He can be reached at Min.Shu@fudan.edu.cn

Abstract:
In the past fifteen years anti-dumping governance in the EU became increasingly subject to media exposure and political contestation. This paper examines the politico-economic reasons behind the growing domestic struggles over international trade imbalance in Europe. Using the anti-dumping proceeding against Chinese and Vietnamese leather shoes as a case study, the paper shows that the politicisation of anti-dumping governance depends crucially on the formation of transnational production network and the concentration of EU production. Whereas the former deepens the division between domestic producers and importers along the supply chain of production, the latter allows sectoral interests to align with the member states in the institutional apparatus of the EU.

Key words:
Anti-dumping, Common Commercial Policy, the European Union, Policy Economy

* Early versions of the paper were presented at the 3rd Lund-Fudan Economic Forum on Global Imbalance: The Choice of China and the EU in Shanghai (2006), the 3rd APRU World Institute Workshop on Economic Integration among Pacific Rim Economies in Kyoto (2007), and the Keio Jean Monnet Workshop on EU Studies in Tokyo (2008). The author wishes to thank the participants for their advices and comments. The financial support from the European Studies Centre Program and the Shanghai Pujiang Program is gratefully acknowledged. Remaining errors are the responsibility of the author.
1. Introduction

On 4 October 2006 the permanent representatives of member states based in Brussels voted for an anti-dumping proposal, which was drafted by the European Commission, to impose definitive anti-dumping duty on the leather shoes produced in China and Vietnam. It was however not a consensual agreement as is usually the case in the EU (Hayes-Renshaw and Wallace; Mattila and Lane). According to information leaked to the media, while nine member states voted for the anti-dumping duty, twelve member states voted against the proposal. Yet, with four other abstention ballots counted as approval, the Commission’s proposal carried its way through the institutional hurdle of simple majority by the tightest possible margin – 13 versus 12 – among the twenty-five member states.

Anti-dumping governance in the EU is usually considered as a domain guarded by the technocrats in the European Commission (Schuknecht; Tharakan; Eymann and Schuknecht). Different from the American practice, the European Commission is not only responsible for the investigation of anti-dumping cases put forward by the complaint, but also determines the level of injury once the cases are established (Eymann and Schuknecht, 1991). The institutional rules only leave to the discretion of the member states the final approval of the Commission proposal on definitive anti-dumping measures. Nevertheless, the unusual politicisation of the anti-dumping case against Chinese and Vietnamese shoes is not an isolated case. In a recent paper, Evenett and Vermulst document an increasing number of disagreements among the member states over anti-dumping issues during the period between 1991 and 2003. The authors claim that there has been ‘a shift from a Commission-dominated or “technocratic” [anti-dumping] system towards a more member-state-influenced or “politicised” one in the EU (716).

Why has the anti-dumping regime of the EU become increasingly politicised over the past fifteen years? This paper tries to address this question from a political economic perspective. Before presenting our argument, it is worth noting that the growing
politicisation of anti-dumping governance has coincided with the restructuring of domestic industries in the EU. On the one hand, the economic integration has forced some industries to relocate in the European single market (Midelfart-Knarvik and Overman). For some member states, because certain products are no longer produced domestically, they have to rely entirely on intra- and extra-EU imports for domestic consumption. On the other hand, the restructuring of EU economy brought about further intra-industrial specialisation, with the emergence of ‘transnational production networks’ in certain sectors. Some of the ‘production networks’ operate within the EU (Meyer); others involve extensive networks of producers outside the EU (Abonyi).

The restructuring of European industries has also transformed the landscape of political interests in the EU. This paper argues that two major politico-economic mechanisms are at work in relation to the anti-dumping governance in the EU. First, the process of industrial relocation sharpens the welfare redistribution impact of anti-dumping measures on the member states. Given the concentration of EU production, the producing countries become the main beneficiaries of anti-dumping measures while the importing countries must face the higher price of ‘dumped’ products. Second, with regard to transnational production networks, anti-dumping measures protect the intra-EU production networks to the detriment of extra-EU production networks. Because of this, production networks often have strong incentives to use their own economic and political leverages to lobby and compete for the influence on EU anti-dumping governance. It is important to note that these two politico-economic mechanisms tend to enter different stages, and pressure different actors, of the anti-dumping regime of the EU. To put it simply, the welfare redistribution effects are more salient to the member states when they vote on the anti-dumping proposal(s); the lobbying competition between production networks is more likely to target the anti-dumping investigation conducted by the European Commission.

In order to understand the special impacts of inter-state welfare redistribution and
transnational production networks, the paper takes a close look at the political economy of anti-dumping governance in the EU. The next section first explores the institutional rules on the decision-making procedures of EU anti-dumping governance. The institutional analysis is supplemented by a detailed discussion of relevant economic and political factors in the third section. Special attention is paid to the relocation of EU industries and the formation of transnational production networks. The fourth section then examines the potential constellation of interest presentation and lobbying competition in the anti-dumping regime of the EU. Throughout we use the anti-dumping proceeding against Chinese and Vietnamese leather shoes as a case study. The fifth section concludes the paper.

2. Anti-Dumping Governance in the EU: An Institutional Appraisal

The current anti-dumping regime of the EU is governed by the rules laid down in the Council Regulation (EC) No. 384/96. In general, an anti-dumping case goes through five different stages before the EU imposes definitive duty against the alleged product(s) (see Figure 1). First, the complaint who represents no less than 25%, and draws attention of at least half of the Community producers of the like product initiates an anti-dumping case on behalf of the Community industry. After receiving the complaint, the European Commission then checks the details of the complaint and consults a special anti-dumping Advisory Committee, whose members include representatives of the member states, to decide weather or not to launch a formal anti-dumping investigation. The decision should be published as a ‘Notice of Initiation of an Anti-Dumping Proceeding’ in the Official Journal. At the third stage, the Commission conducts formal investigation into the case, with particular emphasis on the existence of dumping and its margin, the level of injury, the causal relationship between dumping and injury, and the Community interest as defined by the case. If necessary, the Commission may decide, after consultation with the Advisory Committee, to impose a provisional anti-dumping duty on the alleged dumping

---

product(s) at the fourth stage. The provisional anti-dumping measures are carried out for a period of six months, with possible extension of another three months. At the same time, the investigation continues and the Advisory Committee is consulted throughout the process. The Commission must submit the proposal of definitive anti-dumping measures to the Council one month before the expiry of provisional anti-dumping measures. At the fifth and final stage, the Council deliberates on the Commission proposal, first among the committee of permanent representatives of member states (COREPER), and if unsuccessful then at the level of Council of Ministers. The deliberation of the Council ends with a decision of simple majority, with abstention counted as approval.\(^2\)

**Figure 1  The Decision-Making Process of Anti-Dumping Proceedings**

The procedural regulation of anti-dumping governance in the EU has some distinctive features. First, the rules put special emphasis on the sectoral nature of anti-dumping governance. To be eligible for filing a case, the complaint must adequately represents the Community industry. The representativeness is calculated according to the complaint’s share in the total production of the like product and her influence in the Community industry. A crucial issue is how to define the Community industry and the like product. Sometimes the sectoral nature of the complaint is subject to different interpretations. This is important because the definition of the Community industry

---

\(^2\) This effectively means that the Commission’s proposal for definitive anti-dumping measures can only be rejected by a simple majority of the member states (see Council Regulation (EC) No 461/2004, *Official Journal L 77* (13.3.2004, p.12)).
has a decisive impact on several key indicators of the anti-dumping investigation, including the dumping margin and the level of injury. Once properly defined, the sectoral nature of anti-dumping governance is going to characterise the whole investigation and decision-making process.

Another important concept in this regard is the so-called ‘Community interest’ – an issue that the Commission is supposed to address in the anti-dumping investigation. Based on the legal provisions, the interests of four different groups should be taken into account when assessing the impact of anti-dumping measures on the Community interest (Vermulst and Waer; Müller et al). They include (a) the complaint (i.e., the domestic producers), (b) the importers and their representative associations, (c) representative consumer organisations, and (d) representative (industrial) users. With regard to the last, the Commission also takes into consideration the interest of raw material suppliers of alleged dumping product(s). Upon a close look at the four groups, it is not difficult to recognize that the Community interest is assessed according to the chain of production, at the centre of which stands the complaint. Anti-dumping measures, once imposed, would not only raise the market price of alleged product(s), but also increase the welfare of domestic producers at the expense of domestic users and importers. Hence, for the European Commission, two sets of conflict of interests must be addressed in assessing the Community interest: first, the conflict between domestic producers and users; and second, the conflict between domestic producers and importers.

The second feature of the EU’s anti-dumping regulation lies in the institutional balance between the Commission and the Council. As a unique policy option to protect the Common Market, anti-dumping is part of the Common Commercial Policy and therefore belongs to the first pillar of the decision-making apparatus of the EU.\(^3\)

In this policy area, the Commission is the only EU institution that has the right to

\(^3\) The legal basis of Council Regulation 384/96 is the Article 133 (ex. 113) of Treaty establishing the European Community (see Official Journal C 325, 24.12.2002).
initiate an anti-dumping proposal. The European Parliament, on the other hand, does not involve in the decision-making at all.\(^4\) The Council is the only monitoring body representing the interests of member states. It also has a final say on the definitive anti-dumping measures proposed by the Commission. The Commission proposal on definitive anti-dumping measures is first sent to the committee of permanent representatives of member states (COREPER) for preliminary assessment. If there is no agreement in the COREPER, the Council of Ministers is supposed to take over and make the final decision. Both the COREPER and the Council of Ministers follow the decision-making rule of simple majority and abstention is counted as approval for the Commission proposal.

It is worth noting that the Commission is assisted (or, some would say, monitored) by the anti-dumping Advisory Committee throughout its anti-dumping investigation. The Advisory Committee consists of the representatives of each member state and a representative of the Commission who acts as the chairman of the committee. Though the Advisory Committee can not place any formal restriction on the Commission, it has the right to be consulted at various stages of the anti-dumping investigation. Specifically, the Commission should consult the Advisory Committee (a) before the initiation of an anti-dumping investigation, (b) as the Commission defines the dumping margin, the level of injury, the casual link between dumping and injury, and the Community interest, and (c) in relation to the Commission proposal on provisional and definitive anti-dumping measures. Because of its close involvement, the Advisory Committee plays an important communicative role between the Commission and the member states. Indeed, the informal vote of the Advisory Committee is considered by the Commission as a direct indication of the positions of the member state.

The institutional balance between the Commission and the Council is not a mere reflection of decision-making procedures in legal terms. It also indicates that two sets

\(^4\) The European Parliament will be able to influence the anti-dumping governance after the Lisbon Treaty enters into force. For details, see Article 188c of the Lisbon Treaty (Official Journal C306, Vol. 50, 17.12.2007).
of interests have formal access to anti-dumping governance of the EU. First, the sectoral interests may have their voices heard during the investigation of the European Commission. In fact, the Commission is obliged to take into consideration such sectoral interests that are in close connection with the chain of production concerning the alleged dumping product(s). Second, the interests of member states also exert substantial influence on the anti-dumping governance. Institutionally, the consultation of the Advisory Committee allows the member states to negotiate their interests throughout the anti-dumping decision-making process. The vote of the Council leaves a further footprint of the member states on the definitive anti-dumping measures.

This leads to the third feature of EU anti-dumping governance: ‘multiple points of access for interests’ (Hooghe and Marks 28). Firstly, the Commission opens itself to various sectoral interests throughout the investigation process. As a starting point, the domestic producers raise a complaint against certain foreign products and request the Commission to launch an anti-dumping investigation. Once the proceeding is initiated, the Commission takes the initiative to collect relevant information from domestic importers and retailers, domestic suppliers of raw materials, domestic users of alleged product, and representative consumers. These actors may claim their interests through a variety of channels such as answering questionnaires, participating in hearings, submitting written comments. Except for consumers\(^5\), the rest of them – including domestic producers, importers and retailers, suppliers of raw materials and users of alleged product – all represent sectoral interests in the EU. The Access for interests provided by the European Commission thus shows a distinctive sectoral characteristic along the chain of production centred on the product under investigation. Secondly, the institutional rules also offer various points of access for the member states. The key institutional setting is the Advisory Committee. With its members drawn from the member states, the Advisory Committee brings the concerns of member states to the Commission during the investigation process. Sometimes the Advisory Committee

\(^5\) As consumers rarely form a unified position on anti-dumping issues, their interests are usually left for the Commission to define (Greenwood).
cast informal ballots on proposed anti-dumping measures, allowing the Commission to ‘test’ its proposal before the final vote of the Council. These informal votes offer the Commission important clues on how to incorporate the standpoints of member states in its anti-dumping proposal. After all, the fate of the Commission proposal is determined by the member states and their votes in the Council. It is necessary to point out that there is a crucial difference between the access of sectoral interests and member state interests in the anti-dumping governance of the EU. Institutionally, the Commission plays a key role in balancing the interests of different sectoral actors, whereas the potential conflicts among the member states are dealt with through the Council.

The institutional context of EU anti-dumping governance is important because it allows us to identify key actors and their roles in the decision-making process. While anti-dumping deals with distinctively sectoral affairs, sectoral interests cannot neglect the powerful presence of the member states. In procedural terms, the formal access of sectoral interests is condensed within the first three stages of an anti-dumping case: the submission of the complaint, the initiation of the proceeding, and the investigation of the Commission. By comparison, the member states can have their voices heard in the all but the first stage. The balance between sectoral interests and member states is also reflected in the institutional dynamics of the Commission and the Council. The Commission plays a decisive part in identifying relevant sectoral actors and subsequently claiming their interests. But its role is limited to the agenda-setting. The Council not only oversees the anti-dumping investigation through the Advisory Committee, but also determines the final acceptance or rejection of the Commission proposal. Although the member states often hide behind the scene, their influence on the anti-dumping investigation and their decision on the final anti-dumping measures should not be underestimated.

3. Economic Transformation and Anti-Dumping Governance

The anti-dumping regime of the EU has been in place for nearly four decades. The
first anti-dumping regulation was established following the completion of the EEC custom union by Council Regulation (EEC) No 459/68 of 5 April 1968.\footnote{See Regulation (EEC) No 459/68 of the Council of 5 April 1968, \textit{Official Journal}, L 093, 17.04.1968 (see also English special edition: Series I Chapter 1968(I), p.80).} Details of the decision-making rules have been revised several times ever since, to incorporate GATT/WTO requirements and to reflect the new circumstances (Vermulst and Waer). However, there has been little change in terms of institutional settings, particularly with regard to the legal access of sectoral interests and the institutional balance between the Council and the Commission. In contrast to the long-term stability of the institutional settings, anti-dumping has gradually turned into a contested political issue in the past fifteen years (Evenett and Vermulst). It seems that the politicisation of EU anti-dumping governance should be facilitated by factors other than the institutional rules of EU regulation.

As we discussed in the previous section, the institutional settings of EU anti-dumping governance offers special interests two sets of access to the formal decision-making process. Each of these may be politicised in the anti-dumping proceeding. The first is sectoral interests. On the one hand, the domestic producers demand EU protection to deal with the inflow of cheap foreign products, which have endangered their business. On the other hand, the domestic importers, retailers, suppliers of raw materials, industrial users and customers are the main beneficiaries of cheap foreign products. The anti-dumping investigation is bound to raise the tension between the two sides. Secondly, the clash of interests may also occur among the member states. The political standings of sectoral interests tend to vary across the member states. Because of such variation, it is possible that some member states stand for the interests of domestic producers while others back the interests of domestic importers and users. Under such circumstances, the ongoing anti-dumping proceeding may divide the member states along the supply chain of production, and lead to further politicisation of the case.
This was exactly the case in the recent anti-dumping investigation against Chinese and Vietnamese leather shoes. On 30 May 2005 domestic footwear producers submitted a complaint to the European Commission against the leather shoes produced in China and Vietnam. The Commission granted the initiation of the anti-dumping proceeding on 7 July, thirty-eight days after the complaint was lodged. The case quickly raised the tension between domestic footwear producers and the importers of Chinese and Vietnamese shoes. The domestic footwear producers, as the complaint, claimed that the surge of cheap leather shoes from China and Vietnam has been a major threat to their business, leading to the loss of their market share, the decrease of employment in the footwear industry, and the overall shrinking of the footwear sector in the EU. Meanwhile, the European footwear importers accused domestic producers of shifting blames to outsiders. For them, the domestic footwear producers are not only lacking in productivity, but also short of technological innovation. In other words, domestically produced footwear has lost competitiveness in the world market. Given the high stake – the Chinese and Vietnamese leather shoes accounted for nearly 20% of the EU market share, it was not surprising that the domestic importers and producers wage bitter rhetorical campaigns against each other.

Based on the initial findings of the investigation and after consulting the Advisory Committee, the Commission decided to impose provisional anti-dumping duty on the Chinese and Vietnamese shoes from 7 April 2006. However, the duty scheme was imposed in an unusual progressive manner within the period of six months: 4.8% and 4.2% (respectively on Chinese and Vietnamese shoes) between 7 April and 1 June; 9.7% and 8.4% between 2 June and 13 July; 14.5% and 12.6% between 14 July and 14 September; 19.4% and 16.8% from 15 September. The Commission announced the decision on 23 March. Only six days later a formal statement issued by the American Apparel and Footwear Association (AAFA) came out. It claimed that the

provisional duty could be much worse without its lobbying efforts. In the statement, the organisation expressed gratitude to several other organisations in its lobbying activities. These organisations include Foreign Trade Association (FTA), the Footwear Association of Importers and Retail Chains (FAIR), the Federation of European Sporting Goods Industries (FESI) and the European Branded Footwear Coalition (EBFC). It was obvious that the sectoral interests standing against the anti-dumping case involved not just domestic importers, but also domestic retailers, domestic industrial users, free-trade associations and even extra-EU interest groups. The chain of production in relation to the Chinese and Vietnamese shoes has indeed mobilised in the anti-dumping case. The announcement thus indicates that the first set of politico-economic interest – the sectoral interests – was seeking access to influence the Commission investigation.

Question, however, arises as to why the chain of EU footwear production became so bitterly divided between domestic producers on the one hand, and domestic users, retailers and importers on the other. According to the Commission investigation, EU production of leather footwear has fallen by 30% since 2001. Profit margins have been fluctuating between 0 and 2% for successful companies. And more than 40,000 jobs have been lost and more than 1,000 footwear companies have lost considerably in the same period. In short, the EU footwear industry has been in trouble. It is debatable as to what extent the continuous shrinking of the EU footwear industry was caused by the imports of cheap Chinese and Vietnamese shoes. What was clear is that the downturn of the footwear production in the EU has been a long-term trend. The following table shows the continuous decline of production, employment and number of firms in the EU footwear industry between 1999 and 2003.

---


10 See the Commission statement on 23 February 2006, the full text is available from http://ec.europa.eu/trade/issues/respectrules/anti_dumping/pr230206 qa_en.htm (accessed on 24 October 2006).
Adding to the problem has been the gradual relocation of EU footwear industry along with the economic integration process. According to the data reported in Brenton et al. (11), the footwear industry has shrunk enormously in Germany and the UK during the past three decades. In 1997 the total employment of footwear industry in Germany was only 19.56% of the level in 1970. The corresponding figure for the UK is 42.98%. By contrast, the employment of footwear industry remained the same in Italy between 1970 and 1997. During the same period, there has been some decrease of the Spanish footwear industry and some increase of Portuguese industry since mid-1980s. As Brenton et al. note, the change coincided with the accession of the two Mediterranean countries into the European Community. Further evidence shows that some Spanish footwear manufactures moved to Portugal after mid-1985. On the whole, the relocation of footwear industry has followed three different patterns in the EU. First, in some member states the relocation of footwear industry did not take place at all. Italy for example remained a major footwear producing country in Europe in the past three decades. Second, there has been some intra-EU relocation of footwear production. The transferring of footwear production from Spain to Portugal is a good example in this regard. Third, the footwear production in other member states has experienced extra-EU relocation (that is, production has moved to countries outside the EU). This trend is particularly clear in Germany and the UK.

The relocation of domestic industries has two main politico-economic impacts on the EU anti-dumping governance. First, different patterns of industrial relocation lead to
the formation of the intra-EU and extra-EU production networks, further dividing the domestic producers who depend on domestic production on the one hand, and domestic importers and retailers who rely on foreign production on the other. Second, the long-term industrial relocation contributes to the concentration of EU production in a small number of member states, which makes it possible for the member states to align with domestic producers.

Both of these impacts are traceable in the relocation process of EU footwear industry. Brenton et al. suggest that the EU footwear industry has experienced considerable outsourcing activities in the past three decades. Germany and the UK, for example, have moved most of their production bases to low-wage countries, some of which locate outside the EU. At the same time, the high-skill activities such as R&D and designing remain in the home countries. Because of this, while the total employment of the footwear industries shrank considerably in Germany and the UK, the two countries are still the key exporters of footwear products within the EU. Figure 2 and 3 below show the intra-EU flow of footwear products between 2002 and 2005. It is clear that the EU footwear market has been dominated by products from Italy, Belgium, the Netherlands, Germany, Spain, Portugal, France and the UK. Meanwhile, Germany, France and the UK, Belgium and the Netherlands are also the biggest importers of footwear products on the intra-EU market.

**Figure 2  Intra-EU Export of Footwear Products, 25 Member States, 2002-2005**

![Intra-EU Export of Footwear Products, 25 Member States, 2002-2005](image)

Source: Eurostat Monthly Bulletin (various issues); value: million euros.
However, there is a crucial difference among these member states. Countries such as Italy, Spain and Portugal are the traditional exporters of footwear products. Their export to the intra-EU market is much higher than import. By comparison, countries like Belgium, France, the Netherlands, Germany, and the UK are main importers of footwear products on the EU market. At the same time, these countries are exporting a lot of shoes to other EU countries. Although their exports are currently much lower than Italy, it is not difficult to recognise the competitive pressures these countries have imposed on the traditional footwear producing countries (esp. Spain and Portugal). Moreover, given the high volume of import to these countries, one may rightfully expect that some of these countries rely on the production of the Mediterranean states for their value-added exports. In other words, these countries have taken advantage of intra-EU production networks to enhance their exporting capability.

To identify possible extra-EU production networks in the EU footwear industry, let’s take a close look at the extra-EU flow of footwear products. Figure 4 shows Italy is the biggest exporter to the extra-EU market. Germany, Spain, and France also export to extra-EU countries, but at a much lower level. When it comes to extra-EU import, the picture is more mixed (see Figure 5). Italy, Germany, the UK, France, the Netherlands, Belgium, Spain and Sweden are the major importers of extra-EU footwear products. Admittedly, these data do not speak directly to the extra-EU production networks. It is however possible to infer from the data that domestic
footwear producers in Belgium, Germany, the Netherlands and the UK have already transferred some of their production bases to the countries outside the EU.

**Figure 4  Extra-EU Export of Footwear Products, 25 Member States, 2002-2005**

Source: Eurostat Monthly Bulletin (various issues); value: million euros.

**Figure 5  Extra-EU Import of Footwear Products, 25 Member States, 2002-2005**

Source: Eurostat Monthly Bulletin (various issues); value: million euros.

While the restructuring of EU footwear industry contributes to the formation of intra- and extra-EU production networks, it also leads to the concentration of footwear production in the EU. According to a recent study of the European Commission\(^{11}\), footwear production has become a highly concentrated industry in the EU. Italy is producing nearly 50% of the sector’s value among the twenty-five member states,

with Spain and Portugal rank as the second and third largest producers. Italy, Spain and Portugal together have accounted for two third of the total EU footwear production. Compared with other member states, these countries also employ a much bigger labour force in the footwear industry (see Figure 6). Both the concentration of production and the high stake in domestic employment make the footwear industry an economic issue with huge political implications in these member states. Indeed, Italy, Spain and Portugal were among the most enthusiastic supporters of anti-dumping measures against China and Vietnamese leather shoes.

Yet, for other member states the potential cost of anti-dumping measures was no less significant. Typically, the domestic footwear industry employs less than 0.25% of the labour force in these countries. As the footwear production has moved out of their borders, these countries are going to pay for the expensive leather shoes made in the EU. In the footwear case, it was widely reported that the ‘northern’ countries including Denmark, Sweden, Germany and the UK were among the most enthusiasts to ‘kill’ the anti-dumping proposal. The inter-state division demonstrate the second politico-economic impact of industrial relocation on the EU anti-dumping governance:
the more concentrated the EU production becomes, the more divided the member states are on the level of anti-dumping measures.

The institutional settings of the EU anti-dumping governance offer multiple points of access for sectoral and member state interests, but the rules do not politicise themselves. The politicisation of anti-dumping has its own politic-economic causes. As the political uproar in the recent footwear case showed, transnational production networks and the concentration of EU production are the main economic reasons for political contestation. The former leads to the clash between different sectoral interests; the latter motivates the member states to take sides in the anti-dumping case. From this view, it is not difficult to explain why the increasing politicisation of EU anti-dumping governance coincided with the completion of the European Single Market. As the European market integrated, EU industries have been under intensified pressures to restructure. The restructuring process not only brought about transnational production networks but also resulted in the concentration of EU production. These economic transformations in turn impose substantial political pressures on the anti-dumping governance. It is to the constellation of these political pressures that the next section now turns.

4. Interest Representation and Competition in Anti-Dumping Governance

Institutionally, sectoral interest groups and the member states are both allowed to enter the anti-dumping regulation. The input of sectoral interests is more pronounced under the discretion of the Commission. When the case is transferred to the Council, the member states become the sole decision-makers. The institutional structure of anti-dumping governance is usually perceived as more technical than political. However, with adequate economic motivations, the technical process can become extremely political. More often than not, the final anti-dumping measures depend on the mode of interest representation and the balance of interest competition in the anti-dumping investigation.
Because of the sectoral nature of anti-dumping investigation, the Commission is legally required, and institutionally preferred, to deal with the so-called European peak organisation. With national sectoral associations as their members, European peak organisations often claim to represent the interest of certain societal groups in the EU. Most of them chose to base in Brussels in order to exert direct pressures on the Commission. At the same time, the existence of European peak organisations makes it easier for the Commission to collect information regarding the anti-dumping case. It is therefore not surprising that most anti-dumping complains were put forward directly by these peak organisations.

In the footwear case mentioned earlier, it was the European Confederation of the Footwear Industry (CEC) that had lodged the initial complaint on behalf of the domestic producers in the EU. The CEC regards itself as the official representative body of the European Footwear Industry. Currently its members include eighteen footwear federations and four observer federations in Europe. According to the European Commission, the CEC represents more than 40% of the total production of leather footwear in the EU. Being a transnational interest group representing the EU footwear industry, the CEC not only allowed the voices of domestic producers heard by the Commission, but also made it much easier for the Commission to gather information related to the case. In fact, the Commission Regulation on the provisional anti-dumping duty has used the CEC figures to present the key indicators of EU footwear industry (including total production, market share and employment). As such, the sectoral interest of domestic footwear producers managed to reach the Commission and entered the Commission investigation.

Meanwhile, the Commission investigation also needs information from other sectoral actors, such as domestic importers, retailers, users and consumers. European peak organisations remain the first choice of the Commission. The picture was a bit mixed in the footwear case. As mentioned in the last section, there were at least five sectoral

12 See the official website of the CEC: http://www.cecshoe.be/cecshee_unclass/.
interest groups standing on the other side of the production chain: the AAFA, the FTA, the FAIR and the FESI, the EBFC. Apart from the AAFA, all the other four are European peak organisations. But these organisations do not necessarily have the same opinion on the anti-dumping case. The FTA is more concerned with trade issues; the FAIR is an organisation of retailers and importers; the FESI deals more with sports shoes; and the EBFC puts special emphasis on branded footwear. In terms of the chain of production, the EBFC and the FESI represent the interest of domestic users, whereas the FTA and the FAIR represent the interest of domestic importers and retailers. Hence, while these organisations all opposed to the anti-dumping measures against Chinese and Vietnamese leather shoes, they pursued lobbying activities in a less coordinated manner.

On the whole, the balance of power between different sectoral interests depends on three factors. First, is there a European peak organisation representing particular sectoral interest? Second, could the organisation provide useful information to assist the Commission investigation? Third, how do the organisations standing on the same side coordinate their lobbying activities? The sectoral groups, in short, require both representation and coordination skills to have their interests properly addressed in the anti-dumping investigation.

For the member states, anti-dumping governance is usually not a political matter. The reason for this is that the distinctive sectoral characteristic of anti-dumping governance does not translate into immediate political support or opposition for the government. The member states, in other words, are lacking in incentives to politicise the anti-dumping proceeding. However, when the alleged dumping product endangers a particular EU industry that has concentrated in a small number of member states, a bitter clash of interests among the member states is often inevitable. The concentration of production alters the sectoral nature of anti-dumping in some important ways. Most notably, it turns an industrial issue into a national political issue. As in the footwear case, because Italy is producing half of the footwear in the EU, it is
extremely difficult for the Italian government to neglect the responsibility of protecting the EU footwear industry. Moreover, the concentration of production means that the industry has employed a substantial amount of labour forces and attracted a great deal of capital investment in these countries. Under these circumstances, a sectoral problem can easily become an industrial issue and mobilise traditional powerful political groups such as the trade unions and the employers’ organisations. With their access to the decision-making apparatus of the government, the politicisation of the anti-dumping case is only a matter of time. Last but not least, the concentration of EU production turns the clash between domestic producers and domestic importers into a potential fight between the producing and the importing countries, and further politicise the anti-dumping case among the member states.

Yet, the institutional settings of the EU anti-dumping governance provide plenty of opportunities to reconcile the disagreement among the member states. It is possible to make the position of each member state known to the rest as early as the first meeting of the Advisory Committee when it discusses whether or not to initiate the anti-dumping proceeding. The subsequent informal votes of the Advisory Committee on the Commission proposal provide more opportunities for the member states to reconcile their interests. Even after the Commission formally submits its proposal on the definitive anti-dumping measures, it is still possible for the member states to discuss the proposal in the COREPER before the Council of Ministers takes over the issue. However, the inter-state reconciliation does not stay away from political tactics. In order to come to an agreement or make a deal, the member states are often involved in different kinds of issue-trading behind closed door.

The recent footwear case tells a vivid story of this process. When the Advisory Committee discussed about the provisional anti-dumping duty against Chinese and Vietnamese shoes in March 2006, only three member states expressed their support
for the proposal and as many as eleven member states abstained. The initial vote indicates that there was a possible division among the member states on the issue. In July the first Commission proposal for the definitive anti-dumping measures was ‘voted down’ by the member states because some shoe-producing countries thought it was too generous. Although the vote carried no weight, the Commission subsequently formulated a second proposal. But it was also rejected by the Advisory Committee on 3 August. According to media reports, fourteen among the twenty-five member states voted against the proposal. Without a clue on how to deal with the problem, the Commission took the risk and submitted the same proposal to the Council on 30 August. The Council was under pressures to come up with a solution because the provisional duty was due to expire on 7 October. Various reports on the manoeuvres of the member states came out in September. It was first reported by EU Observer that Austria proposed to apply the Common proposal only for one year on 13 September. Financial Times reported on 22 September that Britain attempted to strike a deal with Italy to offer its support for the anti-dumping measures in return for Italy’s support for UK’s long-hours work culture. Then in late September France presented a proposal to shorten the duration of anti-dumping measures to two years.

The COREPER met on 27 September to discuss the issue. An internal vote again rejected the Commission proposal by 9 ‘Yes’, 14 ‘No’, and 2 abstention. It was however agreed that the issue would be handed over to the Council of Ministers if there were no agreement. A dramatic U-turn finally occurred on 4 October when the COREPER voted on the French revision of the Commission proposal. The voting result was 9 ‘Yes’, 11 ‘No’, and 4 abstention. With abstention counted as approval, the revised anti-dumping measures were adopted by the smallest possible margin. According to Financial Time, the two countries switched their votes from ‘No’ to abstention were Malta and Cyprus, two tiny member states in the Mediterranean Sea.

---

5. Conclusion

In the past fifteen years there has been a clear trend that the anti-dumping issues are gaining political prominence in the EU. Not only were the clashes between the domestic producers and importers widely publicised, but also the member states became increasingly at odds with one another on certain anti-dumping cases. To understand such a change, this paper has explored the politico-economic reasons behind the politicisation of anti-dumping governance in the EU.

The institutional assessment of the anti-dumping regulation in the EU shows that two sets of interests are potentially relevant in the decision-making process: the sectoral interests and the interests of the member states. However, institutional rules do not politicise themselves. To understand the politico-economic dynamics of anti-dumping governance, we have conducted a careful analysis of the main economic and political interests involved in such proceedings. Using the anti-dumping investigation against Chinese and Vietnamese leather shoes as a case study, the paper finds that the restructuring of EU industries as a result of economic integration in Europe has led to two important consequences. The first is the formation of intra- and extra-EU production networks. Such transnational networks strengthen the contact among like interests, and deepen the division between domestic producers and importers. As a result, the clash between different sectoral interests along the chain of production emerges. The second is the increasing concentration of EU production in a small number of member states. Industrial concentration contributes to the interest alignment between sectoral interests and the member states, and leads to further politicisation of the anti-dumping proceeds.

In the light of these findings, the paper have discussed the institutional opportunities available to, and the legal constraints imposed on, sectoral interests groups and the member states. The analysis shows that the politicisation of anti-dumping governance is more of a politico-economic process than an institutional dynamics. The politicisation may occur during the anti-dumping investigation as well as in the
informal and formal voting on the Commission proposal. However, it is necessary to point out that the paper only reports a preliminary study of the political economy of anti-dumping governance in the EU. In contrast to the existing literature, e.g., Tharakan’s in 1991 and Eymann and Schuknecht’s in 1996, the discussion puts more emphasis on detailed institutional analysis and in-depth case study in order to generate testable research hypothesis. Hence, more comparative studies are needed should our findings and arguments be properly tested and further extended.
References


