

ECIPE Press release

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## **Why did Anti-dumping Reform Fail in Europe?**

**- How lobbies managed to save privileged trade protection**

**A few years ago an initiative to reform the use of anti-dumping and trade defense policy was launched in the European Union. This initiative failed. In this paper scholars Dirk De Bièvre and Jappe Eckhardt study why the reform effort failed by examining the reforms process, the activities of lobbies and the political economy of anti-dumping policy.**

Why did the reform initiative fail? The paper argues that the high degree of political mobilisation by concentrated producer groups and the weaker mobilisation of importers and retailers constituted the main cause for the failure of the EU anti-dumping reform. The authors identify several systematic developments that led into an increase in political mobilisation against the prevailing EU anti-dumping policy. Increased consolidation in the importers -and retail sector did lead to a reduction of collective action problems in the sector. A split among producers between trade associations representing firms producing exclusively within the EU on the one hand, and those that have outsourced parts of their production on the other, created the incentives to review the rules about who is entitled to apply for anti-dumping measures.

Furthermore, the geographic concentration of manufacturing in particular areas within the European single market, has led to a gradual decline of active political support for anti-dumping measures when put to a vote in the Council of Ministers. Finally, fear of foreign retaliation against EU anti-dumping measures might well have moderated producers as well as policy makers' inclination to resort to anti-dumping policy.

In the course of the reform initiative brought underway by the European Commission, heavy industry manufacturers and their trade associations successfully defended the status quo in anti-dumping legislation and practice by forming a solid coalition with a clearly coordinated strategy. While the political economy is of interest, mobilisation might go a long way to explaining this policy outcome after almost 3 years of intense private and public activity, it is equally interesting to speculate about the public nature of a policy that – due to organisational collective action effects – clearly privileges some groups of actors more over others. **As long as the public interest test in anti-dumping policy remains mainly limited to the interests of a set of concentrated producers and their employees, economic sectors mainly composed by small and medium-sized enterprises facing prohibitively high collective action problems, as well as consuming industries, importers, retailers, and consumers bear the diffuse costs of a policy that basically appropriates private welfare goods for a small section of society.**

In the light of the findings of this study, it seems highly unlikely that the European Union will engage in legislative change to its anti-dumping policy any time soon. It may even be unlikely that Presidency and/or Commission initiatives on increased transparency through clearer deadlines, the ex ante release of information on planned provisional duties and so on, have a chance of garnering support among interested and mobilised organised interests and their member state representatives. As industry demand for anti-dumping goes up and down with the business cycle, the current dramatic economic downturn does not

seem to create favourable preconditions. On the other hand, the advent of a new trade commissioner Karel De Gucht and his cabinet may bring in a more pragmatic style conducive to garnering consensus on increasing procedural clarity and predictability in the conduct of EU antidumping policy.

### **Anti-dumping procedure and history**

According to prevailing EU anti-dumping legislation, European producers can lodge a complaint alleging dumping by non-EU producers on the European market, obliging the European Commission to launch an investigation. If the Commission services find dumping as well as injury to European producers, the Commission is entitled to raise duty levels on foreign imports of the product in question.

By 2006, various groups, a majority of member states, as well as the then Commissioner for Trade, Peter Mandelson, favoured reform of existing procedures. Reform considerations were mainly concerned with European producers having outsourced parts of their production outside the EU, the interests of retailers and consumers, the transparency of and the criteria for the Commission's handling of cases, and the interests of small businesses. In December 2006, these considerations resulted in a Green Paper aimed at consulting with interested parties' positions on reforming trade defence instruments in general and anti-dumping in particular.

### **Publication details**

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