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# **The politics of global sourcing: a case study of EU's trade in bicycles with China and Vietnam<sup>1</sup>**

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<sup>1</sup> This paper is a slightly revised version of a chapter in Eckhardt 2011a (more in particular, chapter 6, pp. 185-217).

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## 1. Introduction

During the last two decades, the number of manufacturers in the European Union (EU) that have outsourced (part of their) production to Asia has increased enormously. At the same time there are also still plenty of firms that produce their products in the EU. These two groups of firms usually have very different trade policy preferences. As the first type of firms benefit from the inflow of products made in Asia, they would normally prefer liberal EU trade policies vis-à-vis Asian Countries. For the second type of firms the net result of increased EU trade with Asia is overall detrimental and they are, therefore, expected to favour the imposition of trade restrictive measures against Asian imports. This division often leads to intense judicial and political bickering between the two opposing sides.

This paper focuses on one of those sectors in the EU being confronted with increased imports from Asia and, as a result, with repeated political battles among those benefiting and those hurt by external trade: the EU bicycle sector. In particular, the paper looks at two instances of such strife, which both revolved around anti-dumping proceedings initiated by the association representing the (import-competing) bicycle firms in the EU – the European Bicycle Manufacturing Association (EBMA). Following the rapidly increasing influx of Chinese and Vietnamese bicycles into the European market between 2001 and 2004, the EBMA accused both countries of dumping their products on the European market and sent two requests to the European Commission in 2004. First, a request for an interim review of the existing anti-dumping measures on imports from Chinese bicycles. Second, a request for an investigation into the alleged dumping of Vietnamese bikes on the EU market. In case of China this was already the fourth time the EBMA filed an anti-dumping complaint (the first one was in 1993), while it was the first ever complaint against Vietnam.

The paper aims at investigating the politics of these two anti-dumping proceedings in detail. To this end, it first focuses on the supply chain of the EU bicycle sector, in order to show which type of firms are active in this sector and to indicate what their interests are with respect to the debates on the trade restrictive measures on Chinese and Vietnamese bicycle imports. It then formulates theoretical expectations regarding the political behaviour of these different bicycle firms during the two anti-dumping proceedings. Subsequently, the paper tests whether these expectations are correct, by providing a detailed analysis of the role of societal interests during the anti-dumping processes. The paper wraps up with some concluding remarks on the political strategies of import-competing- and import-dependent firms in the EU bicycle sector in general and during the debates on the anti-dumping measures against China and Vietnam more in particular. In this final section, the paper also compares the bicycle sector to some other goods producing sectors in the EU.

## 2. Introducing the EU bicycle sector

In order to identify the different types of bicycle firms in the EU and identify their respective interests with respect to the inflow of Chinese and Vietnamese bikes, this paper starts with an overview of the supply chain of the bicycle sector. In essence the (simplified) supply chain of the bicycle sector is similar to many other goods producing sectors and consists of three phases. First, a pre-manufacturing phase in which

research, design and development takes place. Second, the manufacturing phase in which the product is produced. It is important to note that in the manufacturing phase a distinction should be made between, on the one hand, the production of the frame and other bicycle parts (e.g., derailleurs, forks, rims, hubs, and wheels) and, on the other hand, an assembly operation in which the bicycle components are joined with the frame resulting in a finished product (Ulrich et al. 1998). A firm has to decide in this phase whether it wants to do the production of the parts and the assembly in its own factor(ies)y, or whether it is better to outsource one or both of the operations. What is more, the firm has to decide if the production (outsourced or not) will take place domestically or in a foreign country. All these decisions are typically based on labour costs, quantity/quality of the production and delivery time. The final phase of the supply chain is the post-manufacturing phase, consisting of price setting, marketing and selling to consumers. The selling process can take place either at an outlet or store owned by the producer in question or indirectly through a retailer. The latter option is the most widely used strategy in the bicycle sector.

In the EU bicycle production supply chain both firms that compete with imports, as well as firms that depend on income generated by importing bikes into the domestic market are active.

## 2.1 The import-competing firms

The European import-competing bicycle firms are pre-dominantly located in a limited number of EU countries (see figure 1) and there are three big producer groups which produce the bulk of the European bicycles:<sup>3</sup> (1) Accell Group (the Netherlands) which owns well-known brands like Batavus, Sparta and Koga; (2) Cycleurope (a French company owned by the Italy-based Grimaldi Group) producing, among other brands, Bianchi-, Gitane- and Crescent bikes; and (3) Derby Cycle Corporation (Germany) producing bikes for brands such as Focus, Kalkhoff and Raleigh. Besides these three big groups there are several independent import-competing firms such as Gazelle and Giant.<sup>4</sup>

Interestingly enough, almost all of these bicycle firms still do the complete assembly of their bikes in Europe,<sup>5</sup> yet many buy/produce the bulk of their bicycle parts in Asia (pre-dominantly China). In other words, when it comes to bicycle *parts* a majority of EU firms depend on trade with China and other Asian countries and are, therefore, against trade restrictive measures on bicycle parts. To illustrate this point: in 2000, a clear majority of members of the European Bicycle Manufacturers Association (EBMA) voted against an EBMA-initiated investigation by the European Commission into dumping of frames and bicycle parts from China and Taiwan.<sup>6</sup> In case of whole bikes, on the other hand, most EU producers compete with Asian producers on the European market. Although EU bicycle firms still produce (or rather assemble) approximately half of the EU market consumption, import-competition from Asian countries – especially China and Vietnam – has increased considerably in the last decade (see table 1).

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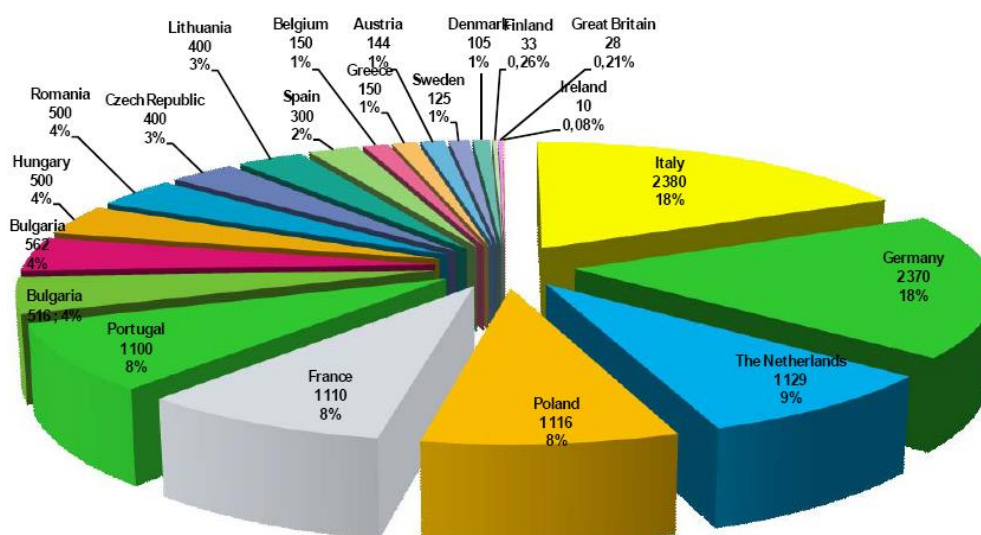
<sup>3</sup> Interview (by phone), 26 March 2010.

<sup>4</sup> Giant – the biggest bicycle producer in the world – is originally a Taiwanese company, yet it is very active on the European market. Not only does Giant sell most of its bikes in Europe, it's European branch (Giant Europe BV) also produces an important part of its bikes in the Netherlands (200.000 bikes s a year). Consequently, the European part of Giant is a "European" import-competing firm. Source: Interview (by phone), 26 March 2010.

<sup>5</sup> An exception is Giant (see also footnote 4), which produces many of its bikes in China.

<sup>6</sup> See: <http://www.bikebiz.com/news/22035/Montgomery-faces-vote-of-no-confidence> and <http://www.bikebiz.com/news/21798/Linked-dumping-investigation-collapses>, retrieved 26 March 2010.

**Figure 1: EU-27 bicycle production (per 1000 units) in 2008**



Source: Report by The Association of the European Bicycle Industry (COLIBI) and the Association of the European Two-Wheeler Parts' & Accessories' Industry (COLIPED) (2009, p. 8).

**Table 1: EU-27 bicycle imports (in 1000 units) between 2001-2009, intra and extra EU trade  
+ top 11 EU suppliers (suppliers ranked according to 2004 import figures)**

	2001	2002	2003	2004	2005	2006	2007	2008	2009
EU27 intra	5337	5971	6698	7286	8325	8032	40551*	9554	8056
EU27 extra	4794	6271	8040	9302	8996	8454	9534	9525	8606
top 11:									
China	873	1576	2202	2424	1485	823	795	743	481
Taiwan	1991	2193	2123	2387	2906	2806	3115	3360	2900
Vietnam	580	731	1383	1856	1260	448	29	3	7
Philippines	400	536	631	572	658	609	659	427	448
Thailand	43	180	326	450	696	714	1484	1484	1360
Bangladesh	189	272	382	338	286	382	373	384	455
Sri Lanka	93	120	227	249	352	520	565	716	977
Indonesia	83	88	225	238	282	499	591	632	436
Tunisia	82	108	142	167	209	251	547	525	529
Malaysia	< 1	< 1	1	11	229	498	471	339	180
Cambodia	12	< 1	< 1	< 1	< 1	367	431	481	445

Source: Author's calculations based on Eurostat (Comext) figures. Products covered: CN Codes 87120010 and 87120030

\* The 2007 data are somewhat puzzling. According to interview sources, a possible explanation for the strikingly high number of intra EU trade in 2007 is that - in order to avoid EU duties - Asian bicycle producers shipped large amounts of bikes to Bulgaria and Romania prior to 2007. The bikes were stored there until Romania and Bulgaria joined the EU in 2007 and, at that point, could enter the EU internal market duty free. This is said to have caused the peak of "intra" EU trade in 2007. I have, however, only anecdotal evidence.

## 2.2 The import-dependent firms

The group of import-dependent firms in the bicycle sector pre-dominantly consists of retailers. As mentioned in the previous section, import-dependent *manufacturers* do exist when we look at bicycle *components*, but not so much when it comes to the importation of *whole* bikes (i.e. the focus of this paper) as most European producers assemble their bikes in Europe. Import-dependent bicycle retailers can be divided into three broad groups.

The first group consists of the so called sporting goods retail chains. These are typically big retailers with multiple branches selling various types of sporting goods items such as bicycles. Most sporting goods retail chains in Europe have branches solely in one single EU member state (e.g. Go Sport in France and Stadium in Sweden). In addition there are companies that are active in more than one country. An example of the latter type is Decathlon.<sup>7</sup> Decathlon is by far the biggest sporting good retail chain in Europe with stores in almost every EU country and – with 2.4 million bicycles sold a year – the biggest player in the bicycle market.<sup>8</sup> Decathlon, as well as most other sporting good retail chains, usually sell bikes in the low- and middle segment of the market (i.e. prices up to €500). Although a part of these bikes – mainly the high end/specialised bikes such as trekking bikes – are still made in European countries like Portugal, many bikes are imported from China and, to a lesser extent, Vietnam.<sup>9</sup> As a consequence, sporting goods retail chains faced potential losses from the moment the debate on the possible imposition of anti-dumping duties on Chinese and Vietnamese bikes started in 2003/04. After all, the imposition of such duties was expected to lead to rising prices of the imported bikes and, in turn, to lower profits.

The second group of bike importers are the supermarkets and other mass merchants like Metro (UK) and Carrefour (France). As Bicycles are definitely not part of their core business, supermarkets have a very haphazard way of dealing with buying and selling bikes which makes it difficult to identify their trade interests. Yet what is clear is that over the years there has been a drop in bicycle orders from supermarkets<sup>10</sup> and that they buy most of their bikes in Europe. So, one could argue that in general they do not have very strong preferences when it comes to import restrictions on bikes. Still some big supermarkets do buy a significant portion of their bicycles in Asia (mainly China), which means that they too faced potential losses in revenue when confronted with import duties on Chinese and Vietnamese bikes.

The third, and final, group of import-dependent firms consists of the so called Independent Bicycle Dealers (IBDs). An increasing number of IBDs are member of one of the big buying associations. These associations basically act as a wholesaler for their members. That is, an association buys large quantities of different types of bikes and stores these in its (large) warehouse(s). The associations' members can then purchase these bicycles at any time and at any quantity. The advantage of such a system for the dealers is twofold. First, it is usually cheaper for a dealer to buy from an association (who can buy large

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<sup>7</sup> Halfords is another example, although they sell other products besides sporting goods.

<sup>8</sup> Sources: <https://www.bikebiz.com/news/read/decathlon-plots-expansion-for-cycle-retail-network>, retrieved 21 March 2011; and Interview (by phone), 26 March 2010.

<sup>9</sup> Interview (by phone), 26 March 2010 and Interview Gent, Belgium, 25 January 2010.

<sup>10</sup> See: <http://www.bike-eu.com/facts-figures/market-reports/2614/france-2006-big-changes.html>, retrieved 22 March 2011.

quantities at once) than to go to a bike producer individually and negotiate about a price for just a few bikes. Second, it allows for much more flexibility, as dealers can buy only the amount of bicycles they really need at a particular time and, in addition, they can always buy extra bikes without delay in case needed. In other words, the risk of a supply shortage as a result of unexpected events (e.g. increased demand, trade barriers) is lowered drastically. By far the biggest buying association in Europe is the German *Zweirad Experten Gruppe* (ZEG). ZEG has nearly 1000 IBD-members in Austria, Belgium, Germany, France and the Netherlands and a big Köln-based warehouse in which more than 40.000 bicycles are stored.<sup>11</sup> There are also many smaller buying associations, which usually operate in just one country like Euretco in the Netherlands.<sup>12</sup> To be sure, not all dealers are member of a buying association; many choose for various reasons to operate completely independent.

Most buying associations as well as individual dealers sell bikes in the middle and higher segments of the market. The bikes with the highest quality (approximately 50% of all bikes sold by dealers) are mainly bought from producers/producer groups in Europe such as Accell, Cycleurope and Derby. The other half is imported from Asia. When it comes to imports, dealers and buying associations import most of their bikes from Taiwan and – at least in the period under investigation here – from Vietnam, because firms in these countries are able to produce relatively good bikes for a low price. Some dealers/buying associations do import from China as well, but this is definitely a minority.<sup>13</sup>

### 3. The argument

As has become clear from the previous section, the combination of increased import-competition from China and Vietnam – and the fact that anti-dumping duties on Chinese bicycles were about to be lifted in 2005 – made that import-competing bicycle firms in the EU had a clear incentive to demand the imposition of trade restrictive measures on bicycles from these two countries. Some firms that depend on bicycle imports were, in turn, concerned that such measures could seriously harm their trade interests. The question this section seeks to answer is whether the circumstances – during the period investigated in this paper – were such that these different societal interests were able to overcome their collective action problems (Olson 1965) and defend their respective trade interests in the political arena.

In order for societal interests to surmount collective action impediments, both their “expected benefit of collective action”, as well as their “capacity to act collectively,” should be high. The expected benefit of collective action is defined here as the total additional benefits firms expect to receive from their political activities rather than adjusting to changed market conditions. The expected benefit of collective political action is thus treated here as a function of adjustment, because a firm that is able to reach its goal – i.e. fend off- or at least decrease potential losses – through political mobilization does not have to adjust to the changing market conditions (Hathaway 1998). Yet when firms decide on political action they do not only take into account the benefit side of the calculation – i.e. “the goods [they] hope to receive or the ills they hope to avoid by taking political action” (Alt et al. 1996, p. 695). They also take into account the costs

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<sup>11</sup> See: <http://www.zeg.de/de/unternehmen/default.aspx>, retrieved 22 March 2011.

<sup>12</sup> See: <http://www.bike-eu.com/news/777/dutch-buying-association-euretco-expanding.html>, retrieved 23 March 2011.

<sup>13</sup> Interview Gent, Belgium, 25 January 2010.

of the political mobilization itself. Although a firm may be able to act individually, the sheer majority of firms are unable to run a political campaign without the help of other firms in their sector, therefore it usually takes “collective” effort to mobilize politically. The costs of such collective political action are usually high and only certain groups of firms have the capacity to pay these costs. In what follows I will indicate whether or not import-competing- and import-dependent bicycle firms in the EU had a high expected benefit of collective action and a high capacity to act collectively during the two trade episodes studied in this paper.

### 3.1 Import-competing firms

Let us first look at the role of import-competing bicycle firms. Did they have a high expected benefit of collective political action and a high capacity to act collectively?

**The expected benefit of collective action.** As table 1 reveals, import-competing bicycle producers in the EU face tough (and increasing) competition from Asian producers. When only looking at the years analyzed here (i.e. 2001-2004), extra EU imports increased with 48%. Among the external EU bicycle suppliers, China and Vietnam were the fastest growing and hence posing the biggest threat to EU producers in this period. Imports from China grew with 64% between 2001 and 2004, while imports from Vietnam increased even with 69% in that same period (see table 1). The increase of Chinese imports is particularly remarkable, as Chinese bikes have been subject to import duties ever since the beginning of the 1990s and in 2000 these duties were extended and increased to 30.6%.

Despite the increased import-competition, however, production in Europe itself increased as well in the last decade (see table 1). There are two reasons for this. First of all, European firms have remained competitive through drastically adjusting/restructuring their production process. Many firms, for instance, have cut costs by outsourcing/relocating the production of bicycle frames and other parts to Asia. Moreover, many firms have increased their spending on research and development and some chose to specialise in specific sectors of the market. Second, ever since the increase of imports from Asia in the course of the 1990s EU bicycle producers have successfully lobbied for measures to protect their market against, what they describe as, unfair competition (i.e. dumping). Until recently this unfair competition came mainly from China, but in the 2000-2005 period producers started to argue that also Vietnam was dumping its bicycles on the European market. There is surprisingly broad consensus among EU bicycle producers that such protective measures against unfair competition are indeed justified and needed. The reason for this consensus can be traced back to the fear that without trade barriers the EU market will go down the same route as Japan and the US. Until about 15 years ago both countries (but especially Japan) were very important bicycle producers, but as they refused to impose trade restrictive measures their markets were flooded by cheap Chinese bicycles. As a result, the bicycle production in both the US and Japan has disappeared completely. To illustrate, today 86% of all the bicycles sold in the US are imports from China<sup>14</sup> and 96% of all imported bikes are made in China. Japanese figures are comparable: approximately 90% of all bikes sold on the Japanese market and 97% of all bikes imported are produced

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<sup>14</sup> Source: <http://www.worldometers.info/bicycles/>, retrieved 12 May 2011.

in China.<sup>15</sup> The Japanese markets is “now dominated by cheap disposable Chinese bikes,” as one of my interviewees put it.<sup>16</sup>

In other words, the potential benefit to the bicycle industry of mobilizing politically and trying to obtain protection was high. After all, with the examples of the US and Japan in mind where the entire domestic bicycle sector had disappeared as a result of the free inflow of foreign (mainly Chinese) bikes, most EU producers felt that refraining from lobbying in favour of (further) protection would put very heavy burdens on the industry. Moreover, adjusting to the increasing foreign competition was not really an option for them as, over the years, EU bicycle producers had already applied most of the adjustment strategies available to them. So further adjustment to their corporate strategy was not a very likely strategy during the period studied here.

**The capacity to act collectively.** Now let us see to what extent the import-competing firms also had the capacity to act politically. The factors that determine the capacity to act collectively are: small group size, geographical concentration and standing organizational capacity (for more details on these variables see Eckhardt 2011a). All three factors are positively correlated with the capacity to act collectively; thus a group of firms with a high score on these factors has a high potential capacity to act politically, whereas a low score makes it likely that group members will follow the “adjustment route.”

Import-competing bicycle producers in the EU indeed only have to mobilize a limited number of firms when planning on joint political action, as the level of consolidation/concentration among them is very high. To be sure, there are quite a few producers of bicycles active on the EU market, yet most of these producers (at least the important ones) are part of one of the three earlier mentioned big bicycle producer groups Acell (e.g. Batavus, Sparta and Koga-Miyata), Cycleurope (e.g. Bianchi-, Gitane- and Crescent) and Derby Cycle Corporation (e.g. Focus, Kalkhoff and Raleigh). As the bicycle sector is notorious for its lack of reliable figures, it is difficult to find out how big the market share of these big producers is exactly. But from interviews with people in the industry it has become clear that the majority of the bikes sold in the EU are produced by one of the brands of the “big three” and hence one can speak of a very consolidated sector.

Also the level of geographical concentration is high in the EU bicycle sector. As figure 1 shows, 70% of the European bicycle production takes place in just 6 countries: Italy (18% of total production), Germany (18%), The Netherlands (9%), Poland (8%), France (8%) and Portugal (8%). In other EU countries, bicycle production is really a marginal phenomenon. Not only is bicycle production is pre-dominantly located in just a few countries, also within these countries bicycles are produced only at a limited number of locations. In other words, it is fair to say that bicycle production in the EU is geographically concentrated.

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<sup>15</sup> Source: <http://www.bicycleretailer.com/news/newsDetail/1559.html>, retrieved 12 May 2011.

<sup>16</sup> Interview (by phone), 26 March 2010.



The third and final factor determining the capacity of societal actors to act politically is their standing organizational capacity. The standing organizational capacity of import-competing bicycle producers in the EU is relatively high. They have well-established bicycle federations in traditional bicycle countries like Italy, Germany, the Netherlands and France, as well as in several other EU countries. In addition there are two European umbrella organizations: the European Bicycle Manufacturing Association (EBMA) and The Comité de Liaison des Fabricants Européens de Bicyclettes (COLIBI) or Association of the European Bicycle Industry as it is most often called nowadays. Traditionally EBMA and COLIBI are very closely related and, as both used to be dominated by import-competing manufacturers, they used to have very similar trade (i.e. protectionist) interests. In fact, for a very long time the chairman of the EBMA was also president of COLIBI. Yet, over the years some manufactures became importers and importer/retail organizations joined the umbrella associations. This was especially true for COLIBI. At the beginning of 2000, the group within COLIBI that was critical of the imposition of trade restrictive measures (especially those on bicycle parts) had even grew to about 50% of the membership. This group forced then COLIBI president Mr. Montgomery – who was also EBMA president – to step down as head of COLIBI. Montgomery's response on his forced resignations was illustrative for the growing divide between the two associations: "Today there is a strong division of opinion within COLIBI both for and against the fact that the COLIBI President is also the Chairman of EBMA. The attitude of certain members who do not agree with the dual presidencies is, in essence, a position against the EBMA role in monitoring imports and taking action when appropriate. This is a relatively new phenomenon and reflects the growing influence of importers in the membership." From that moment on EBMA is the association mainly defending the interests of firms hurt by imports, while COLIBI usually refrains from taking a strong stance as its members have contrasting opinions on this topic.

In sum, as a result of an increased influx of Chinese and Vietnamese bikes and the potential lifting of duties on Chinese bikes, EU bicycle producers faced a clear threat to their material interests in the years prior to 2005. As both the "expected benefit of political mobilization" as well as "the capacity to act politically" were high, import-competing bicycle firms were confronted with a situation in which the benefits of political mobilization clearly outweighed the costs. It is therefore expect that they would choose political mobilization over adjustment both in case of Chinese- and Vietnamese bike imports (see tables 3a and 3b for a summary).

### 3.2 Import-dependent firms

Also import-dependent firms in the EU were confronted with a potential threat to their material interests. The debates on the anti-dumping measures against Chinese and Vietnamese bicycles led to a fear for rising import prices and, in turn, to lower profits. The question is whether the expected benefit of collective action and their capacity to act collectively were high enough to spur political mobilization (for a summary of the argument see tables 3a and 3b)?

**The expected benefit of collective action.** As argued elsewhere (Eckhardt 2011), the expected benefit of political mobilization for import-dependent firms is captured by two factors. First, the level of import-dependence. That is, in case a firm depends heavily on the imports affected by trade restrictions, there is

a potential benefit of political action. Import-dependence is particularly high when (a) the imports affected by the trade restrictive measures make up a large share of the current supply of the firm, and (b) foreign or domestic substitutes are only available in lesser quantity/quality and/or at higher prices. Conversely, if firms depend less heavily on the import of these goods and/or have substitutes to fall back on, the expected benefit of political mobilization is low and, therefore, the firm in question is most likely to opt for adjustment. The second factor determining the expected benefit of collective action is the ease with which a firm can adjust to changing market conditions, as well as the costs related to adjustment. If a firm has a lot of time to adjust its corporate strategy it may be more feasible and less costly to do so than in case adjustments have to be implemented in a much shorter timeframe. Therefore, it is expected that when firms are confronted with a threat to their material interests that requires a quick response, collective political action is a more obvious response than in the situation that firms have more time to react.

Let us first look at the level of import-dependence of EU bicycle importers. As the anti-dumping proceedings studied here were aimed at both China and Vietnam these are the two countries to look at. Table 1 shows that in 2003/2004 – i.e. the years of the debate on an extension of the duties – China was the most important EU bicycle supplier. As indicated above, especially sporting goods retail chains and supermarkets imported many bikes from China in this period. However, their dependence on Chinese imports was not very high. Recall that high import dependence means that imports affected by trade restrictive measures make up a large share of the current supply of the firm and foreign or domestic substitutes are only available in lesser quantity (or quality) and/or at higher prices. As table 1 shows, China's position in the bicycle sector is by far not as dominant as in sectors like the textile/clothing sector or the footwear sector (see Eckhardt 2011a). One of the reasons for this is that the number of bicycles produced (overall as well as in individual factories) is much lower than the number of shoes or clothes. This means that the scale advantages China has in many sectors play much less of a role in the bicycle sector and, therefore, producers in other countries can compete more easily with Chinese manufacturers. Another reason for the less dominant position of China in the bicycle sector is that, ever since the beginning of the 1990s, Chinese bicycle imports have been subject to severe import duties, which has forced companies to source from other countries as well. In other words, substitutes for Chinese bicycle imports are readily available. What is more, table 2 reveals that there are no big price differences between bicycles produced in China and many other Asian countries<sup>17</sup> and the quality of the produced bikes in these other countries is very similar too. In other words, when being confronted with trade restrictions on Chinese bicycle imports, firms have substitutes to fall back on and hence it should be not too difficult for importers to switch to a supplier in another country. Moreover, for quite a few bicycle importers (especially the supermarkets) bikes are only one of the many products they sell, so it would not hurt them substantially when they decide to stop selling bikes if confronted with import duties.<sup>18</sup>

The situation with respect to trade dependence and Vietnamese bikes was different. In the period studied here, mainly Independent Bicycle Dealers (IBDs) relied heavily on bicycle imports from Vietnam. According to IBD-representatives interviewed, Vietnamese firms were the only ones that were able to

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<sup>17</sup> Notable exceptions being Vietnam and Taiwan.

<sup>18</sup> Interview Gent, Belgium, 25 January 2010.

produce the specific bikes the European dealers demanded which, in terms of price and quality, fell exactly between the low-end bikes produced by producers in China, the Philippines, Indonesia and Thailand and the high-end bikes produced in Taiwan and Europe (see table 2). So, as foreign or domestic substitutes for Vietnamese bicycle imports were only available in lesser quality or at higher prices, the import-dependence of IBDs in case of Vietnamese bicycle imports was high in the period studied here.

What is also important when analyzing the expected benefit of political mobilization is the time firms have to adjust to the changed market conditions. If a firm has a lot of time to adjust its corporate strategy it may be more feasible and less costly to do so than in case adjustments have to be implemented in a much shorter timeframe. Therefore, it is expected that when firms face losses that require a quick response, political action is a more likely strategy than in the situation that firms have more time to react. As it usually takes a long time before policy makers decide whether or not to impose anti-dumping measures, it happens often that firms place (import) orders during an anti-dumping investigation without knowing what the outcome of an investigation will be. As a result, it happens frequently that firms order items and then later are confronted with the imposition of duties at which time it is obviously too late to switch another supplier. When you look at what happened in the bicycle sector in 2005, it is likely that importers of Chinese bikes decided to switch to a supplier in another country well before the decision on the extension and increase of anti-dumping duties on Chinese bikes was taken. After all, they knew that over the last 15 years every time EU bicycle producers lodged a complaint against China, duties were imposed at the end of the day. So probably most importers of Chinese bikes were not confronted with duties after they ordered their bikes in China, as many simply decided on time to buy their bikes elsewhere. In case of Vietnam the situation was different. As this was the first time that a complaint against Vietnam was lodged, importers of Vietnamese bikes were not sure at all whether or not duties were to be imposed and, therefore, they just placed their orders only to discover later that they had to pay a 30% duty on each imported bike.

**Table 2: EU-27 price (per unit in US\$) of imported bicycles – intra and extra EU trade + top 10 EU suppliers, 2001-2009, suppliers ranked according to 2004 imports**

	2001	2002	2003	2004	2005	2006	2007	2008	2009
EU27 Intra	117	112	109	114	114	121	26	136	155
EU27 extra	105	83	65	68	76	80	80	88	103
top 11:									
China	41	36	35	35	29	28	30	40	72
Taiwan	140	113	106	117	126	130	131	136	162
Vietnam	118	106	73	74	79	112	92	94	101
Philippines	50	42	36	35	36	38	34	36	37
Thailand	44	37	34	35	44	47	74	79	93
Bangladesh	75	60	48	50	53	52	50	59	63
Sri Lanka	60	55	50	50	51	48	48	50	54
Indonesia	45	31	26	33	40	42	42	44	45
Tunisia	94	88	68	63	63	60	56	65	87
Malaysia	60	115	38	28	34	37	33	34	38
Cambodia	62					79	81	90	108

Source: Author's calculations based on Eurostat (Comext) figures.  
Products covered: CN Codes 87120010 and 87120030

**The capacity to act collectively.** Also for import-dependent firms the capacity to act collectively is captured by group size, geographical concentration and standing organizational capacity.

At first sight there are big differences between sporting goods retail chains, supermarkets and the Independent bicycle distributors (IBDs) when it comes to group size. That is, the markets of the sporting good retail chains and supermarkets are dominated by a small number of big companies (e.g. Decathlon, Halfords, Metro and Carrefour), so the level of consolidation is high. In the UK for example, Halfords' share of the cycle market is 27% by value.<sup>19</sup> IBDs, on the other hand, are usually very small businesses and there are quite a few of them across Europe. The typical IBD is a family business, with usually no more than five employees. Clearly there are differences between EU countries in this regard: in a country like the Czech Republic IBDs are very often sole proprietorship firms, while in the Netherlands there is a trend towards more consolidation with fewer and bigger independent dealers. Still even in the Netherlands we speak of small companies. Having said that, as many IBDs are members of one of the big buying association and as these buying associations and its members in turn operate as a single company in many ways (especially when it comes to importing bicycles), the level of consolidation among IBDs is in fact much higher than it may seem at first sight. Consequently, the collective action impediments IBDs face are easier to overcome than one may expect from a sector with so many small businesses.

In terms of geographical concentration, figure 2 shows that in most EU countries bicycle sales are very low. As a result, 70% of the European bicycle sales are generated by just 5 EU countries (Germany, France, UK, Italy and The Netherlands). Although bicycle sales within these five countries are not concentrated in specific regions, import-dependent firms are located in a limited number of areas in the EU and can, therefore, be considered as geographically concentrated. As said earlier, spatial proximity can bolster the ability of a group of firms to act collectively.

Now let us turn to the standing organizational capacity of import-dependent firms. The big (sporting goods) retailers do not have their own interest association(s). A few years ago there have been discussions between (sporting goods) retailers and some big bike producers that import bicycles (such as Giant Europe) to erect a European organization of bicycle importers. Yet the parties involved did not come to an agreement about the establishment of the association because, among other reasons, quite a few import-dependent companies came to the conclusion that on many issues their interests do not differ substantially from those of import-competing producers. Even on the issue of anti-dumping duties (on whole bikes that is) some key import-dependent firms indicated that they were against an association that would lobby too heavily against the imposition of trade restrictions, as this could lead to sharp declining (selling) prices and a possible price war on the European bicycle market. The failure to come to an association of bicycle importers means that import-dependent bicycle retailers that *do* want to lobby against trade restrictions such as anti-dumping measures, could try to convince the Association of the European Bicycle Industry (COLIBI) or one of the general importer umbrella associations (e.g. FTA,

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<sup>19</sup> See: <http://www.prnewswire.co.uk/cgi/news/release?id=64985>, retrieved 1 April 2011.

Eurocommerce). Both types of associations are, however, not very likely to act on behalf of the bicycle importers. In case of COLIBI this has to do with their membership of both importers and import-competitors, while FTA and Eurocommerce are unlikely to act because the bicycle industry is a very small industry. Total annual bicycle sales in the EU are 25 million and only in a few EU countries does the sector play any economic and political role. When you compare this to for example to the footwear- or clothing industries – with its hundreds of million items sold annually all over the EU – it is clear why umbrella organizations such as FTA and Eurocommerce are much more inclined to act when one of these sectors ask them to do so.<sup>20</sup> In other words, big (sporting goods) retailers have little other option than to lobby individually or as part of an ad hoc coalition.

Also the supermarkets involved in the importation of bicycles do not have their own European association(s). To be sure, many of the big supermarkets (e.g. Alcampo, Carrefour, Metro) are members of FTA or Eurocommerce and some even have their own (full time) lobbyists in Brussels. Yet as there are no specific associations defending the interests of supermarkets as a group and as associations like FTA and Eurocommerce are not likely to act in case of bicycle related issues, supermarkets hurt by the imposition of trade restrictors on bicycle imports are most likely to become engaged in individual lobbying or some kind of ad-hoc coalition or seek to internalize costs by adjusting their corporate strategy.<sup>21</sup>

The IBDs, on the other hand, do have a standing organization at their disposal: the European Two-wheel retail association (ETRA). Established in 1995, ETRA defends the interests of about 5000 companies, which employ approximately 11500 people in Belgium, the Czech Republic, Denmark, France, Germany, The Netherlands and the United Kingdom. Members are both individual companies as well as national associations. Before the establishment of ETRA there was informal contact between several national associations, but at a certain point they came to the conclusion that – as more and more legislation was created at the EU level and bicycle trade in Europe and beyond increased – they had to coordinate their activities better and therefore decided to establish a European association. Ever since then, ETRA provides a platform for discussions (i.e. exchange of knowledge) and lobbies in favour or against certain EU legislation. On issues like the a cycling-friendly European Urban Transport Policy or the inclusion of the bicycle sector in all European policies aimed at greening the economy, ETRA-members have identical interests. However, on trade policy issues there are sometimes conflicts among members. In case of Anti-Dumping measures for example, IBDs in some countries (most notably the UK) are supportive of import duties on Chinese bikes because they sell relatively few and cheap bicycles (manufactured in Europe or Vietnam/Thailand) and therefore compete directly with sporting goods retailers and supermarkets selling even cheaper bikes imported from China. In a country like the Netherlands, on the other hand, dealers sell much more expensive bikes (very often manufactured in Europe) and therefore hold a more nuanced position on the issue of trade restrictions.<sup>22</sup>

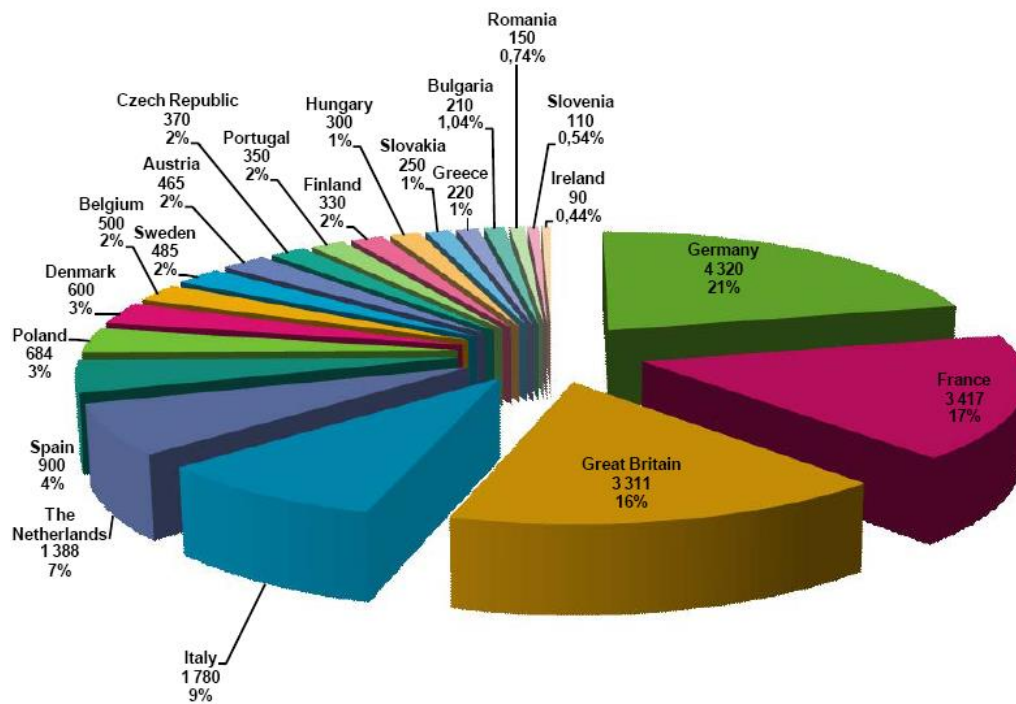
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<sup>20</sup> Interview (by phone), 26 March 2010.

<sup>21</sup> Interview Gent, Belgium, 25 January 2010; Interview Brussels, Belgium, 18 February 2010.

<sup>22</sup> Interview Gent, Belgium, 25 January 2010. See also the ETRA website: <http://www.etra-eu.com/index.asp>, last retrieved 6 April 2011.

**Figure 2: EU 27 bicycle sales (per 1000 units) in 2008**



Source: Report by The Association of the European Bicycle Industry (COLIBI) and the Association of the European Two-Wheeler Parts' & Accessories' Industry (COLIPED) (2009, p. 14).

As said before, an increasing number of IBDs is (also) member of one of the European buying associations. Such buying associations can in a way also be seen as an interest association representing the interests of its company members, specifically when it comes to trade related issues. After all, these associations buy (import) large quantities of bikes for all their members, which means that all these members share the same trade interests and the buying association can, in turn, lobby on their behalf when facing trade restrictions. In fact it may very well be the case that it is easier to come to a shared interest among the members of a buying association than within a formal interest association like the ETRA. Having said this, so far probably the only buying association with a strong political clout is the Zweirad Experten Gruppe (ZEG), with about 1000 member companies, so any lobbying coming from buying associations is expected to come from ZEG.

In sum, when looking at the potential of import-dependent bicycle firms to act collectively in the trade episodes studied here, a clear distinction should be made between different types of import-dependent firms as well as between their behaviour in the anti-dumping case against Vietnam and the case against China (see tables 3a and 3b for a summary of the argument). On the one hand, sporting good retailers and supermarkets had a low benefit of political mobilization and, given their high level of consolidation, a relatively high capacity to act politically in both debates on the imposition of anti-dumping measures. In such a situation it is usually indeterminate whether actors can be expected to mobilize or adjust (i.e. in this case, import their bikes from another country than China or Vietnam or just accept the duties and raise the price of the bicycles), but the latter option is the most likely option. Lobbying in such a situation is possible if the group in question has a peak association at its disposal. Yet, as explained earlier, sporting good retailers and supermarkets do not have such an association.

The situation for import-dependent Independent Bicycle Distributors (IBDs) and their buying associations is much different and, as described above, there is especially a striking difference between the case against China (table 3a) and against Vietnam (table 3b). During the case against China the expected benefit of political mobilization was relatively low, whereas the capacity to act politically was high. Under such circumstances some political activity is possible, but adjustment is often the most likely option. If lobbying does take place, it will most likely be undertaken by peak associations (FTA, Eurocommerce) who see it as their task to lobby against the imposition of import-barriers out of principle and not so much because their (firm) members urged them to act. Yet as the bicycle sector is a very small sector, peak association lobbying is unlikely. In case of anti-dumping duties against Vietnamese bikes, on the other hand, both the expected benefit of political mobilization and the capacity to act politically of IBDs and their buying associations was high. This means that, in contrast to the China-case, political mobilization against anti-dumping duties on Vietnamese bikes is a much more likely strategy.

In the next section I turn to a detailed analysis of the political role of societal interests during the debates on the EU anti-dumping measures against Chinese and Vietnamese bikes in order to test the just described (and summarized in tables 3a and 3b) propositions.

**Table 3a Theoretical expectations anti-dumping measures against China**

		The expected benefit of collective action	
		Low	High
The capacity to act collectively	Low		
	High	<b>Import-dependent</b> sporting goods retailers <ul style="list-style-type: none"> <li>▪ <b>Import-dependent</b> supermarkets</li> <li>▪ <b>Import-dependent</b> IBD's</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Import-competing</b> producers</li> </ul>

**Table 3b Theoretical expectations anti-dumping measures against Vietnam**

		The expected benefit of collective action	
		Low	High
The capacity to act collectively	Low		
	High	<ul style="list-style-type: none"> <li>▪ <b>Import-dependent</b> sporting goods retailers</li> <li>▪ <b>Import-dependent</b> supermarkets</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Import-competing</b> producers</li> <li>▪ <b>Import-dependent</b> IBD's</li> </ul>

#### 4. The EU anti-dumping measures on Chinese and Vietnamese bicycles: an empirical account

On 8 February 2003 the Italian bicycle manufacturing association, ANCMA (Associazione Nazionale Ciclo Motociclo e Accessori), organized a meeting in a hotel in Bologna (Italy) in order to discuss the huge problems that would arise if the anti-dumping duties imposed in 2000 on Chinese bikes were not renewed in 2005.<sup>23</sup> Present were representatives of about 100 Italian bicycle companies – among which the three largest Italian bicycle manufacturers Vuelta, Carraro Cicli and Safety Bicycle, as well as Ambrosio, Michelin, Isca, Ofmega, Grimeca, Saccon, Shimano, Cinzia, Roger, Esperia, Bianchi, Olmo, Dino, Bassano, Denver, Cicli Adriatica, and San Marco – as well as representatives from the European Bicycle Manufacturing Association (EBMA). During the meeting, people like Moreno Fioravanti (ceo Vuelta), Andrea Carraro (ceo Carraro Cicli) and Brian Montgomery (EBMA) sketched a doom scenario: a huge and growing proportion of the world's market share is captured by Chinese manufacturers and if the anti-dumping duties will not be renewed in 2005, the Italian bicycle manufacturing industry (as well as the industry in other European countries) will disappear completely just as happened to the domestic bicycle manufacturing industry in the US. "The gravity of the situation for Italy, and for the EU, if the anti-dumping duties on China are not renewed, is immense" and therefore it is of paramount importance that the sector continues to put persistent pressure on important public officials to renew the anti-dumping duties, according to Montgomery of the EBMA. At the end of the meeting the attendees decided to establish a committee of Italian representatives that had to ensure that indeed there would be enough lobbying pressure on key decision-makers in Italy and Brussels.<sup>24</sup>

After the meeting, the EBMA Chairman Montgomery initiated several internal debates within the associations and was able to get the majority of the EBMA-members to support a renewal and increase of the duties on China bikes. It was also decided that EBMA would push for an investigation into imports from Vietnamese bicycles. This was the beginning of a period of information gathering – in order to find evidence for the dumping of Chinese and Vietnamese bikes on the European market – and heavy lobbying to get enough support from member states and the Commission. An example of the latter is an open letter of Brian Montgomery to all EU trade ministers and the Commission in which he accused the Chinese government of heavily subsidising the exports of bicycle in their country and painted a pessimistic picture for the EU industry if the Chinese kept on disrespecting the trade rules of the rest of the International Community: "[The Chinese] have destroyed the USA industry – they are well on the way to doing the same thing in Japan...Where will the Chinese stop?"<sup>25</sup>

Similar claims were made at meetings organized by national bicycle manufacturing associations around that same time. Most active in this regard was, again, ANCMA who organized two meetings in February 2004 "to review the progress in the matter of the Italian industry's objection to the removal of Anti-

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<sup>23</sup> A detailed account of the meeting can be found at <http://www.bikebiz.com/news/21561/Italian-bike-industry-meets-to-discuss-Chinese-threat>, retrieved 26 March 2010.

<sup>24</sup> Source <http://www.bikebiz.com/news/20575/EBMA-wants-Christmas-prezzie-from-Chinese-bike-builders>, retrieved 26 March 2010.

<sup>25</sup> See: <http://www.bikebiz.com/news/read/ebma-wants-christmas-prezzie-from-chinese-bike-builders>, retrieved 28 March 2010.



Dumping duties on China.”<sup>26</sup> Present during these meetings were, among others, EBMA representatives and Pasquale de Micco the Italian Ministry of Production/Commerce. Not much later, on 15 March 2004, EBMA sent – on behalf of producers representing 35 % of the total Community production of bicycles – a request to the European Commission for an interim review of current anti-dumping measures on imports from Chinese bicycles. Moreover, the EBMA called for an investigation into imports from Vietnamese bikes. EBMA provided evidence of the dumping of bicycles on the EU market by producers from both countries and of material injury resulting thereof. The European Commission considered the evidence provided by the EBMA sufficient to start investigating the two claims of alleged dumping.

Therefore, the Commission announced in its Official Journal that it initiated “an interim review of the anti-dumping measures applicable to imports of bicycles originating in the People's Republic of China.” In addition the Commission initiated an anti-dumping proceeding concerning imports of bicycles originating in Vietnam.<sup>27</sup>

As hypothesised, import-dependent firms did not take any action to prevent the renewal of the duties on Chinese bicycles. On the contrary, the organization defending the interests of the Independent Bicycle Distributors, ETRA, indicated that “[ETRA and its members] fully support the interim review of the anti-dumping measures against the import of Chinese bicycles in force.”<sup>28</sup> Somewhat later, in another press release, ETRA argued why exactly they supported the interim review: “[...] although the current import volume [of Chinese bikes] may not seem worrying, the average value of that import is. In the first 8 months of 2003, that value amounted to only € 29.61! In view of this very low figure, it is quite improbable that Chinese import concerns bicycles sold through the IBD channel. Moreover, the extremely low price damages the image of quality bicycles and may well have a negative influence on general price levels in the European bicycle business.”<sup>29</sup>

The attitude of IBDs towards the initiation of the anti-dumping proceeding concerning Vietnamese bicycle imports was, in line with my expectations (see section 3.2 and table 3b), entirely different. Soon after the announcement of the Commission that it had opened the anti-dumping investigation, ETRA lodged a strong protest against the anti-dumping proceeding concerning Vietnamese bikes. In several position papers presented to the Commission and member states, as well as in press releases, ETRA indicated that the anti-dumping measures “could well result in a sudden decline of Vietnamese imports into the EU as well as in a restriction of competition.” ETRA warned that “such a decline cannot be compensated at short notice...in those countries, which import branded and private label bikes from Vietnam. Importers cannot move from one subcontractor to another just like that. Dealers cannot switch from one brand to another very easily.” As a result, ETRA concluded that jobs in the IBD-sector were threatened and consumers could be confronted “with a restricted offer, higher prices and less choice with regard to price range.”<sup>30</sup> Moreover, in their position paper and press releases, the ETRA argued that the EBMA failed to

<sup>26</sup> See: <http://www.bikebiz.com/news/20043/Chinese-bikes-still-avoiding-duty-claims-EBMA>, retrieved 26 March 2010.

<sup>27</sup> Official Journal, C103/80 29 April 2004.

<sup>28</sup> See: <http://www.etra-eu.com/newsitem.asp?page=2&type=4&cat=4&id=9679072>, retrieved 30 March 2010.

<sup>29</sup> See ETRA press release at

<http://www.etra-eu.com/newsitem.asp?page=2&type=4&cat=1&id=1298945>, retrieved 7 April 2011.

<sup>30</sup> See: <http://www.etra-eu.com/newsitem.asp?id=9679072&type=4&page=2>, retrieved 7 April 2011.

establish conclusive proof of dumping and injury in case of Vietnamese bike imports and accused the EBMA of lodging the complaint against Vietnam for protectionist reasons only:

“ [...] This is the 5th dumping complaint lodged by the EBMA against bicycle imports originating in a Southeast Asian country in approximately the last 15 years. Apart from the complaint against Chinese bicycle imports, none of them have resulted in an improvement of the Community producers' situation. Could this be because the alleged dumping is not the cause of their situation? With every dumping complaint inspired by protectionist motives, the Community producers harm the interests of IBDs, some of whom are their own customers, and of consumers.”<sup>31</sup>

The German buying association ZEG quickly joined ETRA in its protest concerning the anti-dumping proceeding against Vietnam. In a first step, ZEG hired a Brussels-based law firm/advocacy firm to fight the claim by the EBMA that Vietnam made bicycles were being dumped on the EU market. In statements ZEG and the advocacy firms representing them to the European Commission and Member States used similar arguments as ETRA to convince decision-makers not to proceed with the anti-dumping case against Vietnam. So they too argued that the EBMA complaint was flawed, protectionist in nature and would be to the detriment of European bicycle retailers and to customers.<sup>32</sup>

Completely absent in both the debate on the interim review of duties on imports from Chinese bicycles as well as on the investigation into imports from Vietnamese bikes were, as expected, the other types of import-dependent bicycle firms – i.e. the sporting good retailers and the supermarkets. In case of the debates on measures against Vietnam the most important reason for this inactiveness was that hardly any sporting good retailer or supermarket imported the relatively expensive (see table 2) Vietnamese bikes. Even though most of them did import (almost all of their) bikes from China, they refrained from lobbying against the imposition of duties on Chinese bicycles too, for reasons that are in line with my theoretical expectations.

First of all, there was no real need for them to turn to politics as they could relatively easily turn to suppliers in other (Asian) countries or, as especially supermarkets did, simply stop importing bikes altogether.<sup>33</sup> The figures in table 1 illustrate this point, as they show that in 2005 total EU bicycle imports dropped and that especially imports from China decreased significantly at the expense of imports from countries such as Sri Lanka and Thailand.

The second reason why they did not lobby against the imposition of anti-dumping measures on Chinese bikes was that quite a few bicycle importers were concerned that the lifting of quotas on Chinese bikes could “ruin the market.” To be more precise, the removal of import duties was expected to lead a price war and, in turn, a very sharp drop (of about 30-40%) in bicycle prices all over the EU, which could

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<sup>31</sup> Ibid.

<sup>32</sup> See: <http://www.bikebiz.com/news/24157/ZEG-joins-ETRA-to-oppose-EBMAs-complaint-against-Vietnam>, retrieved 26 March 2010.

<sup>33</sup> Interview Gent, Belgium, 25 January 2010; Interview (by phone), 26 March 2010

potentially affect the profit margin of, especially, sporting good retailers like Decathlon. In other words, some retailers were perhaps not against the anti-dumping duties at all, but they would not go as far as defending them in public.

A third and final reason for the political inactiveness of sporting good retailers and supermarkets appeared to be the fact that they have no sector-specific associations to defend their interests and the import-dependent peak associations (i.e. FTA and Eurcommerce) only act politically when issues are at stake that concerns the bulk of their members and not a relatively insignificant sector as the bicycle sector. To be sure, FTA did register as an interested party in the Anti-Dumping cases against China and Vietnam – as they do in almost all Anti-Dumping proceedings of the EU – so that they could at least become involved in case (enough) members would ask them to do so. Yet as the bicycle case was a matter that concerned only a very small part of its members, FTA did not act at the end.<sup>34</sup> The same is true for Eurocommerce because “an umbrella association as Eurocommerce simply cannot work on every single product-related issue that pops up.”<sup>35</sup>

As the anti-dumping investigations of the European Commission continued and as reports in the press<sup>36</sup> in the course of 2005 indicated that the Commission and the Member States seemed to be in favour of duties against China and Vietnam, import-competing bicycle producers in the EU speeded up their campaign in order to make sure that duties were indeed to be imposed. It became clear, again, that most EU producers openly and forcefully supported the EBMA claim that both Chinese *and* Vietnamese bike companies were dumping their products on the EU market.<sup>37</sup> To be sure, some EU bicycle producers expressed their dissatisfaction with the anti-dumping proceeding against Vietnamese bikes.<sup>38</sup> Yet their political activities were kept to a minimum.

At the import-dependent side, on the other hand, still only the Independent Bicycle Distributors were active politically. They kept on lobbying forcefully against the imposition of duties on Vietnamese bikes. Both the European Two-Wheel Retail Association (ETRA) and the German dealer organization and buying group ZEG compiled new reports in which they refuted EBMA's anti-dumping complaint. The same arguments as before were repeated. So again it was argued that measures against bicycle imports from Vietnam would cause a decrease in imports, a decline in bicycle sales and, as a result, a loss of jobs amongst retailers. The main problem bike distributors faced, so it was argued, was that it was difficult to switch from one supplier to another because of quality considerations. ETRA and ZEG also repeated that there was a big difference between Chinese and Vietnamese bikes: “most cheap Chinese bicycles are imported into [the EU] end up in supermarkets or on garage forecourts, not in quality bike shops...[while] the same can not been said about mid-range Vietnamese bicycles.”<sup>39</sup>

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<sup>34</sup> Interview Brussels 15 January 2010.

<sup>35</sup> Interview Brussels 8 January 2010.

<sup>36</sup> See for example: <http://www.bikebiz.com/news/read/europe-to-impose-48-5-percent-tariff-on-chinese-bikes>, retrieved 26 March 2010.

<sup>37</sup> Interview (by phone), 26 March 2010.

<sup>38</sup> This was especially true for bicycle companies in the UK like Raleigh, Saracen, as they produced part of their bikes in Vietnam and were therefore against trade restrictions on bikes from Vietnam. See: <http://www.bikebiz.com/news/24157/ZEG-joins-ETRA-to-oppose-EBMAs-complaint-against-Vietnam>, retrieved 26 March 2010.

<sup>39</sup> See: <http://www.bikebiz.com/news/20656/Europe-to-impose-485-percent-tariff-on-Chinese-bikes>, retrieved 26 March 2010.

ETRA and ZEG also spurred their members to submit signed declarations to the Commission expressing their objection to the imposition of the duties on Vietnamese bikes. A recent study shows that 1287 individual bicycle distributors submitted such a declaration. According to this study this was "a rare case of strong and unified objection to proposed [Anti-Dumping] measures," because during the 23 anti-dumping investigations (between 2000 and 2008) covered in the study the Commission received in total 1298 signed declarations of importers and retailers (Davis 2009, pp. 9-10). In other words, bicycle importers were responsible for more than 98% of all the official (individual company) complaints the European Commission received against the imposition of anti-dumping measures in these 23 cases.

As was the case in the earlier stages of the anti-dumping proceeding, lobbying against the imposition of duties on Chinese bicycles remained very limited. In fact, it were only Chinese producers which tried to convince the European Commission not to impose duties. According to an official of the China Bicycle Association, "Chinese enterprises are still making every effort to gain a better result."<sup>40</sup> The strategy of the Chinese bicycle makers was to convince European officials that China is not dumping its bikes on the European market and that the Chinese bicycle manufacturing industry is complementary to, rather than competing with, European firms as China focuses on low end products whereas the EU is producing high quality bikes.<sup>41</sup> It must be noted, however, that it was difficult for the Chinese bicycle manufacturers to put ample pressure on the European Commission and the member states, as Chinese public officials were not very actively defending the case of the Chinese bicycle makers.<sup>42</sup> There is a big difference in this regard between the anti-dumping case on bicycles studied here and similar EU-China trade disputes that took place around the same time.<sup>43</sup>

In the run up to the meeting of the European Commission's Anti-Dumping Committee – that was scheduled for the 24<sup>th</sup> of June 2005 – and the Council of Ministers – on the 12<sup>th</sup> of July – lobbying from both import-competing producers in favour of duties on Chinese and Vietnamese bikes and import-dependent independent bicycle distributors against the imposition of duties on Vietnamese imports intensified further. On 24 June the Commission put the following proposal to a vote in the Anti-Dumping Committee: a 48.5 percent duty on bicycles imported from China (i.e. an increase of more than 18% as well as an extension of the existing anti-dumping tariffs) and duties on bikes originating in Vietnam of 34.5 percent.<sup>44</sup> The sheer majority of the then 25 members of the Anti-Dumping committee voted in favour of both proposals. To be precise, 19 countries voted yes, 4 voted no and 2 abstained.

As the anti-dumping committee has only an advisory role, the new duties could only come into force after a vote in the Council of Ministers. That meeting took place on the 12<sup>th</sup> of July and, as expected, the Council of Ministers indeed followed the advice from the Anti-Dumping Committee and decided to impose

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<sup>40</sup> See: <http://english.mofcom.gov.cn/article/counselorsreport/asiareport/200506/20050600114291.html>, retrieved 31 March 2010.

<sup>41</sup> Ibid; and interviews Beijing 19 October and 12 November 2010.

<sup>42</sup> Interview Shanghai, 25 November 2010.

<sup>43</sup> Examples of such disputes include the debates on the imposition of quotas on textile and clothing products (Heron 2007; Eckhardt 2010) and anti-Dumping duties on footwear (Eckhardt 2011). In case of these two disputes there was, in contrast to the bicycle case, very active involvement of Chinese diplomats- and policy makers.

<sup>44</sup> See: <http://www.bikebiz.com/news/19124/19-to-4-EU-votes-for-anti-dumping-tariffs-to-protect-Euro-bicycle-industry>, retrieved 26 March 2010.

definitive anti-dumping duties on imports of bicycles originating in the People's Republic of China (48.5%) as well as Vietnam (34.5%). Again, the voting pattern was as follows: 19 yes votes, 4 no votes and 2 abstentions.<sup>45</sup>

The EU bicycle producers expressed their satisfaction with the duties on Chinese bicycles, or as an anonymous representative of the industry put it:

“There was an audible sigh of relief in the bike industry throughout Europe when it was confirmed that anti dumping duty (ADD) would be increased on China...We all know it is protectionism and if we are honest with ourselves, we know that ADD cannot continue for ever, but for now, this action largely suppresses China as a realistic source for complete bikes for Europe for the next 5 years.”<sup>46</sup>

In case of the duties on Vietnamese bikes the responses from EU bicycle producers were a bit more mixed. Most producers seemed to be satisfied with the duties, yet some producers were unhappy with the duties on Vietnamese bikes as they imported (part of) their bikes from Vietnam. However, it became also clear that most of the European bicycle companies relying on imports from Vietnam had already made plans to source from other countries as soon as possible.<sup>47</sup> According to some reports, as soon it became clear that duties would be imposed, there were deals made between European bicycle producers and their Vietnamese suppliers to simply remove the entire production facilities (including managers and other employees) from Vietnam to other countries (most notably Cambodia, Thailand, Laos and Taiwan).<sup>48</sup>

Import-dependent IBDs, on the other hand, were unhappy with the decision to impose duties on Vietnamese bikes. For these small firms it was not that easy to simply source from another country. Having said that, when one reads the Commission text carefully it becomes clear that one Vietnamese manufacturer got a 15.8% Anti-Dumping duty, while the rest of the Vietnamese industry was hit with a 34.5% duty. That Vietnamese company was Always/Strongman and it is no coincidence that by far its biggest European client is the German buying association ZEG.<sup>49</sup>

## 5. Concluding remarks

This paper has analyzed in detail the political and judicial fencing between those in favour and those against the imposition of trade restrictive anti-dumping measures against bicycle imports from China and Vietnam. Given the sharp increase of bicycle imports from China and Vietnam in the years prior to 2004 and the fact in the past all their requests for anti-dumping duties on bikes were granted, it was unsurprising that import-competing bicycle firms in the EU had no problems organizing joint political action and demand the imposition of these anti-dumping duties. The request by the EBMA to reimpose

<sup>45</sup> See: Council Regulation (EC) No 1095/2005 and Official Journal L183, 14 July 2005.

<sup>46</sup> See: <http://www.bike-eu.com/public/file/archive/20060410-05bik008z012.pdf>, retrieved 11 April 2011.

<sup>47</sup> Interview (by phone), 26 March 2010.

<sup>48</sup> See: <http://www.bike-eu.com/public/file/archive/20060410-05bik008z012.pdf>, retrieved 11 April 2011.

<sup>49</sup> See: Council Regulation (EC) No 1095/2005 and Official Journal L183, 14 July 2005. See also: <http://www.bike-eu.com/public/file/archive/20060410-05bik008z012.pdf>, retrieved 11 April 2011.

and increase duties on Chinese bicycles, as well to impose duties on Vietnamese bikes, is – to put it differently – completely in line with conventional ideas on firm political mobilization.

What was surprising, however, was the response of import-dependent firms to (the imposition of) these anti-dumping measures. Especially their completely different response to the measures against China and Vietnam is interesting. At first sight, the proceedings against China and Vietnam have many things in common; still, the response of import-dependent firms was completely different. In case of the duties concerning Chinese bicycle imports there was hardly any political mobilization of import-dependent firms. There are two reasons for this. First of all, import-dependent firms that relied most heavily on Chinese imports – sporting good retailers and supermarkets – had ample adjustment options to fall back on. Some for example, simply started importing their bikes from other countries in Asia. After all, their dependence on Chinese imports was not that big. Alternatively, firms decided to raise their prices. Again others – that is, supermarkets for which bikes are only one of the many products they sell – simply stopped selling bikes all together. A second reason for the lack of political action on the side of the import-dependent firms is that sporting good retailers and supermarkets do not have a standing organization at their disposal.

In case of the anti-dumping duties against Vietnam, on the other hand, certain type of import-dependent firms lobbied extensively and forcefully to stop the imposition of these duties. Especially Independent Bicycle Distributors (IBDs) relied heavily on the bikes that were produced in Vietnam. As foreign or domestic substitutes for Vietnamese bicycle imports were only available in lesser quality or at higher prices, the import-dependence of IBDs in case of Vietnamese bicycle imports was high. It was particularly difficult for them to find an alternative supplier given the short time-frame. Besides the high expected benefit of political mobilization IBDs also had a high capacity to act collectively. After all, most IBS are member of the European Two-wheel retail association (ETRA) and/or of one of the European buying associations (most notably ZEG). In addition, IBDs are located in a limited number of areas in the EU. Both factors made it relatively easy for IBDs to overcome their collective action obstacles and lobby against anti-dumping duties on Vietnamese bikes.

Finally, it must be noted that the EU bicycle sector differs in some respects from other goods producing sectors in the EU, such as textile/clothing and footwear. These characteristics could also have had an influence on the interest group constellation, as well as the choice between adjustment and political mobilization of the different societal interest in the trade episodes studies here. First of all, in contrast to many other sectors in the EU, approximately half of the bicycle production is still carried out completely in the EU. In other words, the group of EU producers is not as divided as – and therefore perhaps more easy to mobilize than – sectors in which one group of firms has outsourced production and one has not (De Bièvre & Eckhardt 2011). What is more, the fact that the group of import-dependent bicycle firms in the EU mainly consists of retailers – rather than a mix of producers and retailers – could negatively affect their political strength or the ability of the import-dependent firms to organize in the first place. A second factor that disguises the bicycle sector from some other goods producing sectors in the EU is that European bicycle importers do not depend so heavily on one or two supplying countries. In for instance

the footwear - and the textile/clothing sector a single country (China) plays a very dominant role, which means that in these sectors it is much more difficult for importers to switch to a supplier in another countries when being confronted with the possible imposition of trade restrictions.

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