

## Position paper 29 August 2007

### **Why the EU should review its trade defence instruments**

#### 1. Background:

##### a) The case of anti-dumping duties on Chinese CFLs

In the EU, about 80% of all lighting in the home is still using incandescent light bulbs (ILB). CFL-i (integrated compact fluorescent lamps) are more energy-efficient lamps that can be screwed into ordinary sockets. They consume 20% of the energy and last five times longer than ordinary incandescent lamps.

However, 2.1 billion ILB are still sold every year in the EU, as opposed to about 270 million CFL-i. According to European lighting companies, a switch to CFL-i could lead to saving **23 million tonnes CO<sub>2</sub>/year** indirectly (and consumer savings of 5-8 billion euros) – equivalent to 0.5% of EU25 greenhouse gas emissions.

EU retailers and most producers' strategy is to make and sell cheap CFL-i from China in order to get consumers to buy their first CFL-i/get used to CFL-I (they are 3 to 6 times more expensive than equivalent ILBs). Despite the anti-dumping duties, and with continuously improved performance of CFL-i, the retail prices of comparable “linear lamps” (i.e. “finger-like” lamps) have decreased by about 50% over the last 10 years. In other words, falling import prices have not benefited only importers' or retailers' margins.

The EU has, since 2001, imposed anti-dumping duties (ADD) of 0-66,1%<sup>1</sup> duty on CFL-i imports from China (Vietnam, Phillipines and Pakistan later added to the list as there was evidence that Chinese exporters circumvented the ADD by assembling lamps in those countries). The Commission investigation concluded in 2001 that:

- Average import prices from China fell 40% between 1997 and 1999 (from 1,5 euro to just below 1 euro per unit).
- The EU consumption increased by 117% between 1996 and 1999.
- The domestic industry lost in that period about half of its market share, although its sales increased by 16%.
- Chinese exporters increased their market share from 39,5% in 1996 to 65,8% in 1999 (increasing its exports by 261%).
- Chinese exporters were found to undercut prices compared to EU producers by 13,7-45,1% (at similar lifetimes of the lamps).
- Profitability of sales of EU producers was almost zero in 1999.
- In 1999, EU producers employed around 900 people, roughly the same as in 1996.

<sup>1</sup> Eight individual Chinese producers that have submitted evidence about their costs of production to the Commission are subject to individual ADDs. These ADDs are, respectively, 0%, 8.4%, 17.1%, 20.2%, 32.3%, 35.3%, 37.1% and 59.5%. For all other companies, the rate is 66.1%.



b) Revision of the EU trade defence instruments

The Commission conducts its investigations and makes its determinations on dumping and other unfair trade practices based on a set of regulations called the trade defence instruments (TDI). The anti-dumping regulation is Regulation 384/96/EC. Until 31 March, the Commission consulted civil society about its December 2006 Green Paper on whether/how these TDI should be reviewed. One of the questions asked by the Commission is how to better determine whether it is in the “Community interest” to impose trade defence measures. Currently the “Community interest” means that the Commission may take into account the economic impacts on other economic operators than domestic producers (retailers, consumers and others who may be adversely impacted by the ADD). This “Community interest” could be broadened to consider e.g. consistency with EU development or energy policies.

If the Commission decides to propose amendments to the TDI regulations, these will eventually be adopted by the Council by qualified majority voting.

**2. Decision-making process regarding the ADD on Chinese CFLs**

There is currently a so-called sunset review under way by DG Trade to assess whether the ADD are still necessary. On 29 August, the Commission decided to propose to Member States that the ADD be continued for another year. This proposal will be voted on by Member States at the Anti-Dumping Advisory Committee on 6 or 12 September. A simple majority in the Council can overturn the proposal, but a final decision on the matter has to be adopted before 19 October.

The Commission’s investigation on which the proposal is based was purely economic. It looked primarily at injury of domestic producers (by considering import prices for CFL-i, import volumes etc.). In addition, the Commission assessed whether continued ADD were “in the Community interest”, which means assessing the economic impacts on other economic operators (retailers, consumers and others who may be adversely impacted by the ADD).

**3. WWF position**

Trade in environmental products is not synonymous to EU exports. China and other developing countries can help speed up technological switches by rapidly producing at low cost products that reduce ecological footprints. Chinese energy-efficient lamps are an example of this: They can help the EU save 23 million tonnes CO<sub>2</sub>/year. We would like the EU to abolish the ADD on CFLs. That would be the logical outcome if we were to take Peter Mandelson’s call for zero tariffs on “green goods” seriously.

However, this is not the last time that China and other emerging economies will put their abundant labour forces to the service of the planet by making green goods affordable. Therefore, in order to avoid future disputes of a similar nature, there is a need to make sure trade policy instruments contribute to EU policy coherence, e.g. with respect to climate change. This has to comprise technical instruments such as anti-dumping measures and other trade defence instruments (TDI),



notably by a widening of what is meant by “Community interest” (see above). This widening should be carried out through the review of trade defence instruments that the Commission is currently conducting.

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