Solar (Lobbying) Activity. Import-Dependent Firms in the EU’s Photovoltaic Trade Case against China

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Abstract

This working paper contributes both to European Union (EU) interest group and trade policy research. It investigates the 2012-13 ‘trade defence instrument’ (TDI) investigations over solar panels originating from China. The analysis of this unilateral trade policy-making case evaluates first the respective structural power of interest groups representing import-competing, import-dependent and exporting firms and then assesses their ability to overcome collective action problems. Thereby, Jappe Eckhardt’s (2013) argument on import-dependent firms in EU TDI cases is scrutinized. The conclusions drawn from this paper lend partial support to Eckhardt’s hypotheses, which, however, have to be refined. The case study shows that traditional lines of confrontation in trade policy issues are obsolete, due to the dynamics of globalization which lead to a rising capacity of import-dependent companies to defend their interests in trade policy-making.
Introduction
The role of import-dependent firms in the EU’s trade policy has long been neglected in trade policy literature. This is all the more astonishing as increased trade interdependence and the spread of ever more global value chains provide good reasons to look beyond the interests and lobbying strategies of import-competing and exporting firms when analyzing interest group influence on trade policy. Only in recent years, scholars started to pay attention to the specific role of import-dependent firms (e.g. De Bievre/Eckhardt 2011; Eckhardt 2013).

Drawing on this literature, the following working paper investigates one of the largest ‘trade defence instrument’ (TDI) cases in the history of the EU: the solar panel investigations against Chinese exporters. Chinese companies exported solar panels to the EU worth €21 billion in 2011 (European Commission 2012), a commercial success allegedly based on dumping and public subsidies. This paper analyzes the outcomes of the EU’s 2012-13 antidumping (AD) and anti-subsidy (AS) investigations concerning imports of Chinese solar panels and their key components, i.e. solar cells and solar wafers (hereafter always referred to as solar panels), originating from China.¹

This solar panel dispute pitted import-competing firms against import-dependent firms, supported by export-oriented sectors of the EU’s economy. ‘EU ProSun’, an industry lobby group, had lodged AD and AS complaints in 2012, and the EU Commission was obliged to open up investigations. However, the Commission faced fierce opposition against the investigations in general and against the provisional duties of 11.8 %, imposed in June 2013 in particular. This opposition stemmed from the lobby group ‘Alliance for Affordable Solar Energy’ (AFASE) promoting the interests of import-dependent firms, but also from interest groups representing export-oriented sectors of the economy. The final outcome of the 15 months long investigations largely reflected the interests of European import-dependent firms which found valuable support among powerful interest groups representing the export-oriented industry, especially in Germany. This coalition prevailed over the interests of import-competing European producers of solar panels.

In explaining this TDI case, we analyze the respective structural power of interest groups representing import-competing and import-dependent firms and their ability to overcome collective action problems by building ad-hoc coalitions to make their case. Eckhardt (2013) was able to show that import-dependent firms are indeed able to overcome collective action problems.

¹ These 2012-13 investigations belong to the first phase of this TDI case. This first phase is composed of the 2012-13 investigations and the following two years of actions against Chinese exporters until December 2015. The second phase of the case, i.e. the evaluation and revision of actions, started in December 2015 and was still ongoing at the time this paper was finished.
problems and to influence EU TDI cases if their adjustment costs to import duties are high and the costs for political mobilization are low. But can his argument be applied beyond the cases covered in his analysis?

In order to answer this question, this paper is structured as follows: The next section (1) identifies sources of interest group influence on the EU’s autonomous trade policy, summarizes Eckhardt’s main theoretical argument, presents our own hypotheses and lays out our measurement method to assess interest group influence. Part (2) first provides an overview over the economic structure and importance of the European solar sector and subsequently explains briefly the political-institutional framework of the EU’s TDI policy. The case study in part (3) presents the European interest groups involved in the solar panel dispute and assesses their respective influence by combining a qualitative and quantitative analysis of the empirical evidence and discusses the results. Finally, part (4) presents some concluding remarks on the theoretical importance of our findings.

**1 Interest Group Influence in the TDI Framework**

*Sources of Influence*

The literature on interest groups in EU trade policy is almost exclusively concerned with actors influencing the bilateral (e.g. Dür 2007; Elsig/Dupont 2012; Woolcock 2014) or the multilateral (e.g. Young 2007; Meunier 2007; Poletti 2012) side of EU trade policy-making or both (e.g. Conceição-Heldt 2014), often using principal-agent theory. This paper analyzes the unilateral side of EU trade policy-making, i.e. the TDI policy framework where interest groups can address both the agent (the Commission) and the principals (the member states) to influence EU trade policy-making (De Bievre/Eckhardt 2011).

One source of interest group power is its ‘structural power’, that is its influence on political decision makers because of its market position, the number of jobs in the sector it represents and the potential impact political decisions could have on employers and employees (i.e. voters), which policy-makers might take into account even in the absence of active lobbying (Bernhagen/Bräuninger 2005). But interest groups often have to combine structural power with a strategy of active lobbying to get what they want. Following the logic of Mancur Olson’s theory of collective action (1971), minority interests may prevail over majority interests in the political arena as small and homogenous groups are better able to organize themselves, to mobilize politically and to successfully influence policy decisions. Large and diverse groups, by contrast – even with greater combined structural power –, may suffer from collective action problems in terms of organization and mobilization. They face ‘free
riding’ problems as group members can potentially benefit from the group’s collective activities and the outcomes it produces without substantially contributing to them (Olson 1971: 53-65).

Hence, we have to look at the actual power (beyond the structural power) of companies and heterogeneous sectors of an economy sharing similar or overlapping policy preferences and their ability to form ‘ad hoc coalitions’. Distinctive features of an ad hoc coalition are “little or no formalization; limited duration; considerable autonomy of coalition partners; a single-issue profile” (Pijnenburg 1998: 305). These issue-specific ad hoc coalitions can be more effective in terms of collective action than long standing interest groups because they are able to conduct concentrated lobby campaigns without harming their constituency (Eising/Kohler-Koch 2005: 20).

According to Jappe Eckhardt (2013), large and diverse interest groups may indeed be able to successfully mobilize and lobby for their political goals if certain conditions are met. Import-dependent firms fall into this category of groups with large and diverse interests. Eckhardt defines import-dependent firms as those who

\[\text{[\ldots]} \text{ rely on income created by imported goods or on the import of intermediate products for their production process and, as such, [\ldots] prefer policies that create stability for their supply chain and/or that reduce (domestic) trade barriers (Eckhardt 2013: 990).}\]

In contrast, import-competing firms, which have to compete with cheap imports from third-country markets, constitute a smaller and more homogenous group. These firms want to increase the price of imports on the domestic market through import barriers. Lastly, export-oriented firms have a domestic manufacturing base but mainly export their goods to third-country markets and favor the reduction of foreign trade barriers.

According to Eckhardt, the specific conditions that enable import-dependent firms to successfully influence EU TDI policy decisions are related to ‘adjustment costs’ and ‘costs of political mobilization’. In terms of adjustment costs, actors have to evaluate if they can – in case of imposed import duties – simply substitute the supplying country or company without facing substantial economic losses (Eckhardt 2013: 994-995). Therefore, important determinants are the timespan necessary to adjust to changes in the supply chain and the level of import dependence. The costs of political mobilization are related to the well-known collective action costs. Eckhardt argues that import-dependent firms have a much better chance to act successfully in the political arena if they have a pre-established, sector specific interest organization at their disposal (Eckhardt 2013: 995). Only large firms might be able to start and manage ad hoc coalitions and they “only succeed in highly consolidated sectors” (Eck-
hardt 2013: 995) characterized by a very small number of important companies. Still, Eckhardt considers ad hoc coalitions as fragile and barely reliable. His case studies on TDI cases in the bicycle, clothing and footwear industry showed that the degree of political mobilization of import-dependent groups is a function of their economic adjustment and political mobilization costs, with political mobilization being most likely in the case of high adjustment and low political mobilization costs. Their ultimate influence on decision-making depends on “the relative balance of interest groups’” mobilization, which is “expected to determine policy outcomes” (Eckhardt 2013: 996). We agree that the existence of pre-established, sector specific interest groups can be considered an asset in terms of mobilization capacity. However, we should not rule out the possibility of organizing and mobilizing heterogeneous interests if adjustment costs are high. The trend towards ever more professionalized lobbying in the EU since the 1980s and the rising number of professional public affairs consultants (Eising 2009: 68-73) facilitates the set-up of ad hoc coalitions and provides groups of companies with the option of outsourcing parts of their lobbying activities and thus reducing the importance of pre-established organizational structures as a resource for political mobilization capacity.

Eckhardt devotes no special attention to export-dependent firms, as he assumes that “...export-dependent firms are typically absent in debates on the imposition of TDI measures as they have no real interest in or clear policy preferences on them” (Eckhardt 2013: 992). We disagree. Under specific conditions, export-dependent firms and interest groups representing them might indeed become highly active in TDI cases. If the use of the TDI is directed against a very important trading partner and bears the risk of an escalating trade conflict potentially affecting a wide range of export products, lobbying activities of firms and interest associations beyond the sector targeted by TDI investigations are likely to occur. Moreover, export-dependent firms inside the sector of investigation that produce and export components and upstream products for the imported final product have a highly specific interest in political mobilization in TDI cases pertaining to their sector.

Hypotheses
Following this line of argument, we formulated the following two hypotheses:

**H1:** Interest groups or ad hoc coalitions need to gather more structural power than their respective opponents in order to be successful in the political battle over TDI actions.

**H2:** Heterogeneous groups of import-dependent firms can move the political output closer to their ideal policy position and prevail over import-competing, protectionist groups if they are able to overcome collective action problems a) by forming ad hoc coalitions among themselves and b) by gaining the support of export-dependent companies and their interest groups.
The Measurement of Lobby Influence

Many scholars of lobbyism avoid the question of actual influence, for the measurement of lobby influence is an intricate task (Beyers et al. 2008: 1114-1116). Andreas Dür suggests three methods he calls ‘process-tracing’, ‘assessing attributed influence’ and ‘gauging the degree of preference attainment’ (2008a: 560). The method of lobby influence process-tracing requires extensive empirical evidence at all policy-making stages. Thereby, this method constitutes a challenging (bordering impossible) approach to measure actual influence. The attributed influence method draws on interviews conducted with actors about their influence perception on the basis of surveys. Yet, it should be noted that self-estimation “can be biased both towards an exaggeration of influence and a playing down of influence” (Dür 2008a: 565) for various reasons. We will assess the actual influence of the respective lobby actors using the third option: the ‘preference attainment’ method. Following this approach, the outcome of the decision-making process is compared with the ideal policy positions of the interest groups involved whereas the process of lobbying itself will be treated as a black-box:

At its most basic, the idea is that the distance between an outcome and the ideal point of an actor reflects the influence of this actor. [...] [T]his method can detect influence even if nothing visible happens, for example because all lobbying is secret or because structural power is at work. Through whatever channel it works [...] influence by definition should be visible in the outcomes that can be studied (Dür 2008a: 566-567).

This method has of course some limitations such as the determination of preferences itself (Tsebelis 2005). However, in trade policy issues, this does not constitute a severe problem. It can be assumed that exporters and importers favor trade liberalization and that import competitors favor protectionist policies (Dür 2008a: 567-568). Another constrain is “that it can be difficult to control for alternative factors explaining a coincidence between preferences and outcomes” (Dür 2008a: 568). Also, questions could be raised about the channel through which influence was exerted, if political decision makers simply had the same preferences as certain lobby actors or if they decided strategically. We view all these methodological limitations as minor because we will analyze a very specific TDI case. Chapter 2 presents the TDI framework and it will show the Commissions’ prominent role in TDI cases and that its investigation procedure demands and relies on interest group input.

In our quantitative approach to the measurement of influence, we follow the example of Heike Klüver’s quantitative content analysis (2009). There, text of actors’ publications is seen
as data. These publications are first "hand-coded"\(^2\) and then codes are calculated as scores to identify the actor’s ideal policy position on a one-dimensional policy scale (Klüver 2009: 540) which then can be compared to the political outcome in order to make influence visible. Following this example, we developed a classification scheme with categories directly opposing each other in a pro and contra style on the basis of an in-depth reading of Commission’s and interest groups’ publications. All natural sentences are considered units of analysis. They are at first coded as quasi-sentences and allocated to at least one classification category (Klüver 2009: 537, 540). Subsequently, the percentage of pro and contra quasi-sentences in relation to the total number of coded statements is calculated for each publication. Finally, pro percentages are subtracted from contra percentages. The resulting negative scores represent pro positions, while positive scores represent contra positions. Based on these scores, one can easily draw a one-dimensional policy scale including the interest groups’ ideal policy position estimates and the Commission’s position estimates according to their statements in several stages of the policy process. In this manner, influence of lobby actors can become visible in case the Commission changes its rhetoric and policy position over time taking into account the ideal policy position of powerful lobby groups.

2 The Political Economy of the EU’s Solar Sector and of TDI Policy

Economics of the EU Solar Sector

Since the 1990s, many EU member states established renewable energy support schemes, either quota systems or so-called ‘feed-in tariffs’ (FIT) allowing anybody deploying photovoltaic (PV) panels to sell the generated electricity to energy companies, who in turn are obliged to buy it for a politically established price, fixed for several years.\(^3\) Moreover, many EU members grant cheap loans via state-owned banks to make solar PV deployment more lucrative to private investors. In terms of producers, China heavily invested into solar panel production facilities. Experts agree that the core problem behind the solar panel trade controversy between the EU and China lies in the fact that EU member states subsidize solar panel demand whereas China subsidizes production (Klein et al. 2013). This leads to a situation where EU customers are benefiting from all these subsidies making solar PV panels a promising investment decision. However, in recent years, almost all EU member states had to reduce the financial support for their domestic solar sector significantly, especially since the global financial crisis.

\(^2\) This hand-coding approach was introduced by the ‘Comparative Manifesto Project’ (CMP) which provides party position estimates on a political left-right scale (Slapin/Proksch 2008).

\(^3\) A case in point is Germany, see Grau et al. 2012 for more information.
The strong political support for PV energy has made the EU the world’s leading area in terms of PV deployment (Lewis 2012). The following numbers are taken from the ‘European Photovoltaic Industry Association’ (EPIA), which remained neutral during the AD and AS investigations, being nevertheless registered as an interested party to provide the Commission with information on the sector. The EU’s PV market had its peak in 2011, with more than 22 gigawatt (GW) of newly installed PV systems, of which 75% were installed in Germany and Italy. In 2012 this number declined to about 18 GW and in 2013 to under 11 GW (EPIA 2014: 49). Germany, the country which has accounted for the highest number of deployed PV systems in the world for many years, saw a peak in the installation of new PV capacities in 2010-12 – between 7.4 and 7.6 GW per year – which dropped to 3.3 GW of newly installed production capacity in 2013. Figure 1 shows all member states who deployed more than 1.0 GW in 2013. EPIA emphasizes that the deployment number of 2011 will not be reached again. In its forecast until 2018, it presents two possible scenarios, with a maximum market level around 10-12 GW of newly installed capacity in Europe or a further market decline to 8-9 GW (EPIA 2014: 31-32).

Figure 1: The most important PV deployment markets (in GW) within the EU in 2013.


In 2009, EU manufacturers had a market share of 19% of the EU’s PV market. In 2011-12 they went down to 13% while Chinese producers had gained more than 80% of the EU market (European Commission 2013a). In 2012-13, Chinese manufacturers were able to sell their products on the EU market with a dumping rate of 88% on average (European Commission 2013a). As a consequence, between 2009 and July 2012 around 40 EU solar manufacturers declared insolvency, six stopped production, two quit solar business and four were taken over by Chinese investors (European Commission 2013a). Germany was the only country in the EU which had significant manufacturers at any time since the take-off of solar panel production. It still represented 10% of the world’s production in 2010, whereas the remaining EU member states together merely represented 3% (Lewis 2012: 4-5). Apart from
Chinese companies, manufacturers from India, Japan, South Korea, Taiwan and the US are competitors in this dynamic market.

According to EPIA (2012a), the job numbers in this sector amounted to roughly 265,000 people directly employed in the European solar business in 2012. Besides the classical solar panel manufacturers, who assemble parts into the end products, the so-called ‘value chain’ consists of ‘upstream’ operators, such as raw material, mechanical and technical suppliers, and ‘downstream’ operators, such as trading, installation or maintenance of solar panels. EPIA draws attention to the fact that large parts of the solar sector value chain are created locally, regardless of where the solar panels were made or assembled.

In total, approximately 58% of the value of the €58 billion European PV market is being created by European manufacturing upstream and downstream as well as European services in installation. Considering exports the EU value rises to 67% and close to €40 billion (EPIA 2012b: 2).

This testifies to the high interests at stake for the EU’s import-dependent (and export-oriented) firms of the solar PV sector, with upstream as well as downstream operators.

EU Trade Defence Instrument (TDI) Policy-Making
The TDI framework is a regulatory policy field where decisions are associated with “concentrated benefits for one and concentrated costs for another group” (Dür 2008b: 1217). Regulatory decisions require technical expertise from the relevant market actors and thus, the Commission facilitates and encourages business input, which can result in private benefits for the participating actors (Broscheid/Coen 2007: 361). Yet, critical scholars have observed that the Commission does not simply respond to specific free trade or protectionist demands but “seeks to develop pan-European policy solutions” (Woll 2009: 285).

The chosen preference attainment method to measure interest group influence does not require to be familiar with all the details of the EU TDI policy-making process. However, it is important to note the following aspects: The decision-making process in AD and AS investigations involves four stages. First, interest groups have to submit a complaint with prima facie evidence to the Commission, whereby the complaint has to represent 25% of the Union industry. The complainers define the product and size of the industry themselves; this enables them to exclude certain firms who outsourced production stages, making “the threshold for standing of a complainant relatively low” (De Bievre/Eckhardt 2011: 343). Second, the Commission decides whether to open an investigation or not. If it does, it informs the member states through the advisory committee to the Foreign Affairs Council (FAC) and

4 Please see De Bievre/Eckhardt 2011: 342-344 for more information.
then launches the investigation. The third step is the investigation itself, wherein the Commission establishes “dumping, the level of injury to domestic European firms, whether dumping was the cause of injury to the industry, and whether the imposition of antidumping duties would be in the ‘Community interest’.” (De Bievre/Eckhardt 2011: 343) The same investigation procedure is applied in AS investigations. After nine months of investigation, the Commission once again consults the advisory committee, yet decides autonomously if it imposes provisional duties for the remaining time because of an established causal link between the material injuries suffered by the Union industry and dumped or subsidized imports. “One month before the expiry of these provisional duties, the Commission is obliged to issue a proposal” (De Bievre/Eckhardt 2011: 344) to the FAC concerning definitive AD or AS duties, which generally last for five years and require a simple majority vote of the FAC. It happens that economic sectors are concentrated in just one geographical area of the EU. If production facilities are absent in other EU member states, these principals will vote against the agent’s proposal and veto other principals (Woll 2009: 284-285). These dynamics are due to the consensual decision-making procedure in the EU TDI governance system. Finally, the TDI framework allows bilateral negotiated price undertakings (conducted by the Commission) as a solution to trade disputes and an alternative to import duties.

Within the above-mentioned frame of the ‘Community interest test’, the Commission examines the interests of “(1) the complaining domestic producers; (2) the retailers and their associations; (3) the import users and their representative associations; and (4) consumer organizations” (De Bievre/Eckhardt 2011: 343). Hearings held by the hearing officer should establish the actual interest of the respective community industry as a whole and make it difficult for minority interests to pursue their aims to the detriment of the majority (Woll 2009: 282-283). Thus, the interests of import-dependent solar actors should formally be heard within the Commission’s investigations.

All the points stated above have shown that our preference attainment method is able to adequately measure lobby influence in TDI cases. Furthermore, we emphasize once again that the Commission plays a crucial role in TDI investigations, but member states also play a powerful part as they are permitted the last word upon definitive duties and the acceptance of price undertakings.

5 Complainers are entitled to request an ‘expiry review’ before these definitive AD or AS duties expire. An ‘expiry review’ is conducted over another period of 15 months and can entail the extension of actions.
3 Lobby Actors & Empirical Evidence for their Influence

Lobby Actors

The Council that implements the regulations imposing definitive AD and AS duties explicitly names the solar interest groups EPIA, EU ProSun, AFASE and the ‘Solar Trade Association’ (STA) as stakeholders (Council 2013a; 2013b). However, in its investigations, the Commission sampled “various interested parties, such as exporting producers, Union producers, importers, upstream and downstream operators and their representative associations” (European Commission 2013b). Apart from the interest groups mentioned above, we have identified the industry association ‘Bundesverband der Deutschen Industrie’ (BDI), the trade association ‘Bundesverband Großhandel, Außenhandel, Dienstleistungen’ (BGA) and the specific interest association ‘Verband Deutscher Maschinen- und Anlagenbau’ (VDMA) as important interest group actors for three reasons. First, the German solar PV sector is by far the most important in the EU, both in terms of producers of solar PVs and in terms of the importance of the overall solar PV market, including upstream and downstream business. Second, Germany has by a great margin the most important share of overall EU exports to the Chinese market. And third, the above-mentioned business associations did not take a neutral stance, balancing the interests of export-oriented and import-competing sectors, but turned out to be actively involved in the solar panel AD and AS investigations on the free trade side and published a number of press releases on this topic.

EPIA, which was created in 1985, serves as the sector specific peak association for the European solar PV sector. As indicated above, large associations face substantial collective action problems and are paralyzed due to the diversity of adherents they represent. Unsurprisingly, the association maintained “a neutral position” (EPIA 2012c) during the investigations. Nevertheless, it published fact sheets on job creation, external costs, availability of materials and the PV value chain. Moreover, its ‘Global Market Outlook for Photovoltaics 2014-2018’ (EPIA 2014) is cited several times in various EU documents.

EU ProSun was the complainant in the AD and AS investigations. It represented the import-competing European solar panel manufacturers and therefore lobbied for the imposition of import barriers for Chinese competitors to secure European jobs related to solar panel production. It is an ad hoc industry association founded in July 2012 with the sole purpose of enforcing these trade barriers. The initiative is led by the German company Solarworld7 lobbying most extensively during the AD and AS investigations.

6 In an interview, a civil servant at the Directorate Trade Defence confirmed that EU ProSun and AFASE were the two groups lobbying most extensively during the AD and AS investigations.

7 In contrast to other prominent German manufacturers such as Sovello, Q-Cells or Bosch, who all became insolvent or quit the solar business, the big player Solarworld survived the sector’s crisis.
cated in Bonn (Pauly/Amann 2013) or more precisely by Milan Nitzschke, the Solarworld spokesman who founded the initiative, presides it and who is the only person officially associated with it. EU ProSun claimed to represent the vast majority of European solar panel manufacturers but refused to name its members. It claims to represent 40 PV-manufacturers and 4,000 associated installers (EU ProSun 2013a). Yet, according to a press report, only around 25 out of these 40 supporters were participating in the complaints, including no more than five German manufacturers (Pauly/Amann 2013).

*AFASE* was created as a response to EU ProSun and its AD and AS complaints. The aim of this import-dependent group was to prevent protectionism and ensure free trade of solar energy products. It represented the interests of 856 “companies active in the European solar sector who represent more than 79,000 EU jobs” (AFASE 2013a). According to its published list of supporters, 191 German, 138 United Kingdom (UK), 58 Italian, 19 Romanian and 24 Greek companies were participating in the alliance (AFASE 2013b). Like EU ProSun, AFASE is an ad hoc coalition. As AFASE constitutes an informal, diverse and large group, it was only able to act collectively because its actions were coordinated by the lawyer group ‘Mayer Brown’, specialized in trade issues, and the political consultant and communication agencies ‘Hering Schuppener’ and ‘g+ (europe)’.8

*STA* was established in 1978 as the sector specific UK solar interest association. The association is mainly active in trading issues and therefore shared a common purpose with its ally AFASE. STA headed a group of 15 EU solar interest associations (hereafter referred to as STA-Alliance)9 active in the solar sectors of 12 EU member states, all opposing solar panel import duties on Chinese products. They all feared that import duties on Chinese solar panels might lead to job losses in the EU solar sector.

*Non-solar sector interest groups* were also participating in the investigations, at least publicly. This is true for German key economic interest associations since Germany has a high industry share and China is rated as a highly relevant market by the German industry (Kohler-Koch 2013: 3-4). The powerful export-oriented BDI is the umbrella association of 37

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Solarworld almost had to declare insolvency earlier in 2013 and could only survive with the help of Qatari Solar, struggling with large amounts of debts (Bündner 2013).

8 Reuters mentioned the Mayer Brown lawyers (Bilby 2013) and we found the Schuppener and g+ (europe) email-additives in press releases by AFASE.

German sector specific industry associations that together represent more than 100,000 companies with around eight million employees (BDI 2014). The BDI worried about an escalation of the conflict which could have threatened good trade relations between Germany and China. The trade association BGA for its part represents companies with 1.9 million German employees (BGA 2014). It also expressed concerns about import duties on Chinese solar panels. The VDMA is a sector specific interest association for German (and to some extent European) mechanical engineering companies. Its solar subchapter ‘PV-Produktionsmittel’ has 100 members who opposed import-restricting measures because they were concerned about the repercussions these actions could have on their exports to Chinese solar panel manufacturers. In 2012, German PV component suppliers exported around 85% of their products, mainly shipping them to East Asia (VDMA 2013a).

Qualitative Evidence for Lobby Influence

The AD investigations started in September 2012 and ended after 15 months in December 2013. After nine months of investigation, the Commission imposed provisional duties of 11.8% on Chinese solar panels entering the EU in June and July of 2013. When the Commission consulted the FAC’s advisory board about these provisional duties, representatives of 17 member states voted against their imposition, i.e. they opposed the agent’s proposal (Pauly/Amann 2013). These very low duties of 11.8% were only set for two months with the announcement that duties would be raised to an average of 47.6% in August 2013 in case China would not engage into negotiations with the Commission to settle the conflict by agreeing to a mutually satisfying price undertaking. Indeed, the Chinese trade ministry and the Chamber of Commerce negotiated with the Commission and eventually found an “amicable solution” (European Commission 2013c) in late July 2013, which consisted of a price undertaking including a voluntary minimum price of 0.56 cents per watt10 paid by the Chinese exporters and an annual import limit of 7 GW. It has to be noted that around 75% of the Chinese exporters participate in the price undertaking. Considering the expected 8-12 GW of the European deployment market, Chinese companies had to suffer only minor EU market share losses. If their exports to the EU market exceed 7 GW, the participating Chinese companies have to pay duties of 47.6% on average. Chinese exporters who did not at all cooperate in the EU investigations and in the voluntary price undertaking have to pay import duties of 53.4% on all their products. The Commission accepted the price undertaking in August 2013, the FAC approved it in December 2013. It became effective simultaneously with

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10 The minimum price was later reduced to 0.53 cents per watt (FAZ 2015).
the formally imposed import duties averaging 47.6 % and remained valid for two years, until December 2015.

The AS investigation started in November 2012 and was conducted over a period of 13 months. On this occasion, the Commission investigated into alleged Chinese governmental subsidies, but did not impose provisional duties. With the approval of the FAC in December 2013, the price undertaking from the AD case was extended to the AS case in line with 11.5 % of AS duties for non-cooperating Chinese companies. Thus, both cases were pooled and the AD and AS investigations resulted in a common outcome in December 2013. Cooperative Chinese companies are subject to the price undertaking which means that they have to sell their products at a minimum price of 0.56 cents per watt and only pay an average duty of 47.6 % for exports exceeding 7 GW per year. Non-participating Chinese companies have to pay an import AD and AS duty of 64.9 % but they “are estimated to account for less than 20 % of exports” (European Commission 2013d).

EU ProSun had called for high import duties to counter the trade practices of Chinese producers, asking for AD duties of nearly 100 % for Chinese exporters (EU ProSun 2013b). Commenting on the outcome of the pooled AD and AS cases in December 2013, Milan Nitzschke regretted that the “minimum prices agreed with China are way too low, and even lower than the true cost of solar manufacturing in China” (EU ProSun 2013c). Moreover, EU ProSun filed a case against the price undertaking before the EU General Court. These strong reactions provide convincing evidence that EU ProSun did not reach its political goal of introducing high EU import barriers for Chinese competitors.

AFASE argued that import barriers for Chinese solar panels “would benefit no one” (2012). Accordingly, duties would mainly harm the European solar business because for “every solar panel installed in Europe – even if produced in China – about 70 percent of the value-creation remains local” (AFASE 2012). Apart from these economic arguments, AFASE turned the public and political attention to the EU’s renewable energy targets. Thus, the association drew on the following line of argument: price increases for customers result in a decrease of solar panel deployment, which in turn results in job losses and in the EU being unable to reach its 2020 climate policy targets. The association warmly applauded when the Commission announced the details of the price undertaking and waived provisional AS duties. “AFASE thanks its supporters for the support during the past months. The current price undertakings are not perfect but provide some of the much needed certainty in the market” (AFASE 2013c). Shortly after this resounding success, the association dissolved.
The STA-Alliance reminded the Commission late in May 2013 of its need to act according to the TDI policy framework and of its objective not to impose AD duties “unless they are in the Union Interest” (STA 2013a).

Our Associations respectfully request the EU to remain in line with its own policy goal to contribute to the increased use of solar energy and refrain from rendering it more costly by imposing anti-dumping and/or countervailing duties on Chinese origin photovoltaic products (STA 2013a).

After receiving the details of the price undertaking late in July 2013, STA Chief Paul Barwell announced: “Thank God we've moved a long way from the original proposals, which were truly appalling and without justification.” (2013b) Regarding the price undertaking, STA itself states that the UK “domestic solar industry should be relatively unharmed” by it (STA 2013b). These statements leave the impression that STA and its 14 associates were quite influential.

The BDI was concerned about the impact import duties could have on overall business relations with China, seen as an extremely important market by its constituency. It recalled that in 2012, the German industry exported goods to China worth €67 billion, constituting 30% of EU-China trade and creating around one million jobs (BDI 2013). Therefore, the industry association appealed to the EU in May 2013 “to refrain from imposing punitive tariff duties” and it warned against “an escalation of the conflict” (BDI 2013, our translation). The BGA, too, condemned import duties on Chinese solar panels and supported “the affected European user industry in its strive for open and free markets [...] not only for reasons of trade policy [...], but also considering the implementation of the energy transition” (BGA 2013, our translation). Lastly, the VDMA was equally worried about the investigations and lobbied against import barriers for Chinese solar panels. Considering the price undertaking, the association states with apparent satisfaction:

Until the last moment, the VDMA campaigned against the imposition of anti-dumping measures and in favor of a negotiated solution and against an escalation. We see the recent agreement as confirmation of our work (VDMA 2013b, our translation).

Quantitative Evidence for Lobby Influence

The following quantitative text analysis is complementary to the qualitative analysis above and illustrates lobbying activity. In order to assess lobby influence quantitatively, we coded the relevant lobby actors’ publications and important statements of the Commission explaining its decisions. Considering the findings above, the provisional duties of 11.8% on solar
panels imported from China and the negotiated price undertaking were the two crucial stages. For this reason, we have chosen to code the statements by Commissioner Karel De Gucht announcing these decisions on June 4 and on July 29, 2013. Furthermore, we only coded the publications dealing exclusively with the solar panel AD and AS investigations, published by lobby actors until June 4, 2013. First, on the basis of both in-depth reading of all relevant publications and the already conducted qualitative analysis, we chose one representative publication for each actor and then developed a classification scheme consisting of 23 categories (see table 1). Next, we hand-coded the English-language statements of EU ProSun, AFASE, the STA-Alliance and Commissioner Karel De Gucht, and the German-language statements of the BDI and VMDA.

Table 1: Hand-coding classification scheme

<table>
<thead>
<tr>
<th>Nb.</th>
<th>Overall category</th>
<th>Import Barriers on Chinese Solar Panels</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Illegal trade practices of Chinese competitors</td>
<td>positive</td>
</tr>
<tr>
<td>2</td>
<td>Import duties on Chinese solar products</td>
<td>positive</td>
</tr>
<tr>
<td>3</td>
<td>Restore fair competition and a level playing field</td>
<td>positive</td>
</tr>
<tr>
<td>4</td>
<td>Import duties secure EU industry, innovation and jobs</td>
<td>positive</td>
</tr>
<tr>
<td>5</td>
<td>Chinese production overcapacities have detrimental effects</td>
<td>positive</td>
</tr>
<tr>
<td>6</td>
<td>Chinese monopoly</td>
<td>positive</td>
</tr>
<tr>
<td>7</td>
<td>EU AD and AS investigations result in uncertainty and damage</td>
<td>negative</td>
</tr>
<tr>
<td>8</td>
<td>Import duties harm the EU economy</td>
<td>negative</td>
</tr>
<tr>
<td>9</td>
<td>Threat to the EU’s climate and renewable energy goals</td>
<td>negative</td>
</tr>
<tr>
<td>10</td>
<td>Price increases harm the EU’s up- and downstream solar industry</td>
<td>negative</td>
</tr>
<tr>
<td>11</td>
<td>Solar dispute could escalate and threaten trade relations with China</td>
<td>negative</td>
</tr>
<tr>
<td>12</td>
<td>Other</td>
<td>-</td>
</tr>
</tbody>
</table>

Source: Own compilation.

Negative scores represent pro-, positive scores anti-import barriers positions. EU ProSun received a pro-import barriers score of -62.79. In the camp opposing import barriers are AFASE at 60.00, the STA-Alliance at 55.88, BDI at 25.00 and VDMA at 27.27. Karel De Gucht’s press statement from June 4 receives a score of -34.38 in contrast to his press statement from July 29 with only -8.33. Table 2 provides a more fine-grained overview of the calculation of scores assigned to the selected publications.
Table 2: Calculation of scores based on quasi-sentences in the coded publications

<table>
<thead>
<tr>
<th>Actors</th>
<th>Total of coded quasi-sentences</th>
<th>Pro</th>
<th>Contra</th>
<th>Other</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU ProSun</td>
<td>43</td>
<td>27</td>
<td>0</td>
<td>16</td>
<td>-62.79</td>
</tr>
<tr>
<td>AFASE</td>
<td>25</td>
<td>0</td>
<td>15</td>
<td>10</td>
<td>60.00</td>
</tr>
<tr>
<td>STA-Alliance</td>
<td>34</td>
<td>0</td>
<td>19</td>
<td>15</td>
<td>55.88</td>
</tr>
<tr>
<td>BDI</td>
<td>16</td>
<td>0</td>
<td>4</td>
<td>12</td>
<td>25.00</td>
</tr>
<tr>
<td>VDMA</td>
<td>33</td>
<td>0</td>
<td>9</td>
<td>24</td>
<td>27.27</td>
</tr>
<tr>
<td>Commission 1</td>
<td>64</td>
<td>22</td>
<td>0</td>
<td>42</td>
<td>-34.38</td>
</tr>
<tr>
<td>Commission 2</td>
<td>48</td>
<td>12</td>
<td>8</td>
<td>28</td>
<td>-8.33</td>
</tr>
</tbody>
</table>

Source: Own calculation.

Figure 2 delineates the policy position estimates obtained on the basis of this classification scheme. The scores clearly show that the Commission rhetorically moved away from EU ProSun demands and towards the demands of the lobby groups AFASE, the STA-Alliance, BDI and VDMA. Karel De Gucht’s June declaration contains 22 pro- and 0 anti-import barriers statements. On the contrary, his July speech lists 12 pro- and 8 anti-statements. These scores can best be illustrated considering his statement from July 29, 2013:

[W]e were not interested in a solution leading to a shortage of supply in Europe and to overly negative effects on downstream industry – and on consumers. Solar panel deployment is important for Europe’s ambition to reduce CO2 emissions. Exactly because of the ambitious climate policy in Europe over the previous years, European demand was world leading and exceeded the capacity of European supply (European Commission, 2013c).

Contrary to that, Karel De Gucht’s speech on June 4, 2013 (European Commission 2013e) does not contain any reference to the EU’s downstream industry or climate goals.

Figure 2: Policy position estimates

Source: Own calculations.

Note: In this figure, only the x-axis is of relevance, with negative scores representing pro-import barriers positions and positive scores representing anti-import barriers positions.
Discussion

Hypothesis 1 stated that, if an interest group or an ad hoc coalition displays more structural power than its respective opponent, it will succeed in the political battle over trade barriers in TDI cases. We found this hypothesis to be confirmed by the empirical evidence. The solar lobby groups AFASE and the STA-Alliance – supported by BDI, BGA and VDMA – summoned much more structural power behind their demands than EU ProSun. Their structural power when facing EU political decision makers is highlighted by the fact that the ad hoc coalition AFASE took a stand for 79,000 EU jobs and over 800 companies from 26 EU member states. Additionally, the STA-Alliance supported the cause with 15 solar sector specific associations from 12 EU member states. Of key importance was the support they found from the BDI, BGA and VDMA that represented more than one hundred thousand companies with millions of jobs in the export sector. According to estimates, EU ProSun only counts for about 40 general supporters and 25 participating complainers. Considering the economic situation of the solar deployment market and the allocation of manufacturing market players, EU ProSun had comparatively less structural power in the EU than its opponents. EU ProSun comes out as the defeated party and AFASE, the STA-Alliance, BDI, BGA and VDMA can be considered the winning groups in the political battle over trade barriers for Chinese solar panels. As the import-dependent solar lobby groups AFASE and the STA-Alliance held the ideal policy position of having cheap and plenty Chinese solar panels on the EU market, the outcome, especially the price undertaking, comes relatively close to their demands. Considering the ideal policy positions of EU ProSun and its frustration about the price undertaking, we view the attempts of this lobby actor to influence the policy outcome as unsuccessful.

The outcome might theoretically be attributed solely to the structural power of the import-dependent and exporting sectors. We, however, think that structural power is a necessary, yet not sufficient condition to explain this policy outcome. The change in the Commission’s stance over time, visible in the data (figure 2), strongly hints to the impact of active lobbying by the coalition of import-dependent and exporting companies and their interest groups. However, active and successful lobbying behind the scenes is nearly impossible to assess, so we can only make suggestions about it (please see below).

What implications do our empirical findings have in terms of explaining the conditions for successful political mobilization? First, this case study basically confirms the hypotheses put forward by Eckhardt (2013) on the importance of adjustment and political mobilization costs incurred by import-dependent companies. Considering adjustment costs, we find import-dependent firms have had only a rather short timespan to adjust and change their suppliers
between the start of the investigations in September 2012 and the imposition of the first import duties in June 2013. Import dependence on solar panels of the low price segment was high, when we keep in mind that Chinese companies supplied 80% of the EU market with their cheap products. Consequently, we consider adjustment costs to be relatively high. The costs of political mobilization, by contrast, were relatively low for the STA-Alliance as it could draw on long-standing sector specific lobby associations. However, the successful ad hoc coalition AFASE was much more active and was the crucial import-dependent lobby actor all along the investigations. In absence of a long-standing organizational structure and given a non-consolidated sector with a high number of companies, political mobilization costs can be considered high for the companies represented by AFASE, according to the line of argument developed by Eckhardt. Nevertheless, by establishing AFASE, this heterogeneous bunch of companies apparently overcame collective action problems, organized itself successfully and constituted a very influential lobby actor. Ad hoc coalitions can hence play an important role if they make full use of the vast array of professional political consultants and communication agencies in Brussels that are happy to organize diverse and heterogeneous interests for a certain timespan and to promote their case if only their clients decently pay for it.

With regard to the role of exporting firms in TDI policy decisions, our findings point to the importance of taking into account the rising degree of trade interdependence and the globalization of production. In our solar panel TDI case, export-oriented actors beyond the solar industry were highly active, fearing the potential repercussions of an escalating conflict with one of the EU’s trading partners for the trading interests of various export industries. Indeed, China, on its part, reacted to the EU’s provisional duties on solar panels by introducing import duties on EU wine and polysilicon exports (Chaffin 2013). Additionally, ever more entangled global production structures and value chains systematically provide incentives for exporters of upstream products and components to join ranks with import-dependent companies of the same industry to fight protectionist measures.

Hence, we see our second hypothesis as being confirmed as well. Our case study showed that heterogeneous groups of import-dependent firms can move the political output closer to their ideal policy position and prevail over import-competing, protectionist groups if they are able to overcome collective action problems by forming ad hoc coalitions among themselves and by gaining the support of export-dependent companies and their interest groups. As both conditions – the successful set-up of an ad hoc coalition as well as the support of export-dependent companies – were met in our case, we cannot reliably assess the importance
of each of them respectively. This is a topic for further research using a comparative case-study design analyzing other TDI cases such as the current steel case.

Finally, we would like to name some other factors than those on which our hypotheses concentrated. Altogether, we have six suggestions for possible factors which could have accounted for the success of AFASE and the STA-Alliance and the failure of EU ProSun. First of all, China is the second largest trading partner of the EU. Politicians from Germany and the UK pronounced publically against import duties several times and showed concern about their bilateral trade relations to China because they feared retaliatory actions (tit-for-tat). Second, there was the FAC’s opposition to the introduction of import barriers for China (see p. 12). Relevant EU solar panel manufacturers were mainly located in Germany, meaning that EU member states without production facilities probably never had the intention to vote for these import duties. In terms of the principal-agent theory, we would thus emphasize political decision makers and argue that the agent noticed the principal’s opposition. Hence, it introduced the price undertaking simultaneously to the import duties, in order to obtain the FAC’s support. This explanation includes our third suggestion, which proposes that AFASE and the STA-Alliance had success because alongside the Commission, they also lobbied national political decision makers from the 28 EU member states. From the very beginning in 2012, EU ProSun exclusively chose the ‘Brussels-Route’ to lobby for their goals. This strategy was unsuccessful because of the agent’s inclining to the principals’ pressure. As a fourth suggestion serves the argument that the Commission favors pan-European policy solutions over minority protectionism. The outcome does indeed favor in some way all EU solar lobby actors involved. A fifth explanation might view the experience of the STA-Alliance as decisive, composed of long-standing sector specific solar associations, and the reason that AFASE was coordinated by professional public affairs agencies in Brussels. Its permanent presence in Brussels surely served as an advantage to AFASE in order to keep eyes and ears open and to be able to always act fast and adequately to the proceedings. For example, it organized three hearings with the Commission’s hearing officer to establish the Community’s interest in the case. EU ProSun on the other side was basically a one-man-show directed by Milan Nitzschke. He is officially employed as the Solarworld spokesman in Bonn (Germany) and has more than this one task to fulfill in his position. Lastly, the respective strategy of framing lobby demands is our sixth suggestion for the actors’ success and failure. In May 2013 for instance, AFASE publically celebrated a “symbolic funeral for over 200,000 European solar jobs” (2013d) cutting across Brussels in a wind ensemble procession with a solar panel in a coffin and demonstrating before the Commission building. Also, AFASE and the
STA-Alliance framed their political aims in relation to the EU’s 2020 targets and the normative aim of CO\textsuperscript{2} reduction. By contrast, EU ProSun acted in an accusatory and demanding manner the whole time. They framed China and AFASE as being the “villains” blackmailing the EU in an “Al Capone” style (2013d).

4 Conclusion

In 2012-13 the European Commission conducted anti-dumping and anti-subsidy investigations against solar panel producers from China in one of the most important conflicts of the EU’s autonomous trade policy in recent times. European import-dependent companies in the solar industry and service sector proved quite successful in defending their interests against protectionist interest groups representing import-competing companies. The lobby groups AFASE and the STA-Alliance defended the interests of import-dependent companies in this sector and prevailed – with the help of the broad export-oriented German lobby groups BDI, BGA and VDMA – over the import-competing solar lobby group EU ProSun and won the political battle over import barriers for Chinese solar panels. Facing high adjustment costs in case substantial import duties were imposed, they were able to overcome collective action problems and launch a successful lobbying campaign for having cheap and plenty solar panels on the EU market.

We were able to explain this outcome by pointing to the comparatively higher structural power of the coalition of import-dependent companies and by showing that this quite heterogeneous group of import-dependent firms was able to overcome collective action problems by forming an ad hoc coalition, making political mobilization possible, and by using the services and skills of professional Brussels-based lobbyists. The strong support of export-dependent companies and their interest groups greatly enhanced their influence on the policy outcome and helped them gain the upper hand over protectionist producer groups.

The findings of this case study have important implications for research on interest groups’ influence in the framework of TDI cases, but also for the broader field of trade policy related research. Eckhardt (2013) convincingly argued that the TDI framework is not a favorable playing field for free trade-oriented and usually quite heterogeneous import-dependent companies by pointing to the TDI’s procedural logic – cohesive protectionist import-competing producer groups pushing the Commission to start the investigation. In a certain sense, TDI cases are hard cases where the likelihood of successful lobbying by heterogeneous groups of import-dependent firms is rather low. By identifying conditions under which free trade-oriented interest groups defending import-dependent sectors can neverthe-
less successfully make their case, this research can bear important theoretical insights for other areas of EU trade policy as well.

Further research in a comparative case study design is needed in order to test and refine the theoretical arguments advanced so far in the literature and in our study to identify the roads to success for heterogeneous groups of import-dependent firms and diffuse groups of exporters with free trade preferences over more homogeneous and protectionist import-competing sectoral producer groups. In our view, an ever more globalized economy characterized by increasing trade interdependence and global value chains provides an environment in which interest groups representing import-dependent companies have to be reckoned with in trade policy-making.

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