



INSIGHT

LEUNG KIN PONG | 29TH MAY 2013

Solar Panels and EU-China Relations

Chinese Premier Li Keqiang arrived in Berlin last Saturday during his first overseas trip after taking office. Prior to his visit in Germany, he concluded the Free Trade Agreement between China and Switzerland in Bern. Germany was the only EU member state he visited this time and the agenda focused on trade issues, particularly the anti-dumping investigations on solar panels¹ and telecommunication equipment².

The solar panel case was of peculiar significance during Li's visit as it was reported that the EU plans to impose an average of 47 percent provisional tariff on Chinese photovoltaic products by June 6. Prior to this decision, 27 EU member states are to submit their feedback to the Commission by the end of this Friday. The Chinese government resolutely opposes the prospective tariff on solar panels, whose import to the EU in 2011 amounted to €21 billion. At the press conference after the meeting with German Chancellor Angela Merkel, Premier Li reiterated his firm opposition

to any EU protectionist maneuvers.



Premier Li's concern was supported implicitly in Germany as Ms. Merkel said in the press conference on 26th May that Germany would do what it can to prevent trade conflict and to seek intense talks between the EU and China to resolve the issue. According to press reports, some member states apparently oppose the tentative duties. Commentators regard the Chinese action as an attempt to use EU-internal disagreement to its own advantage. EU Trade Commissioner Karel De Gucht commented on 27th May that he was aware of the Beijing's pressure exerted on a number of member states, but that it is the EU Commission's role to remain independent

and to resist any attempt of external pressure for the benefit of the whole EU.

Legally speaking, the European Commission must act on proven dumping charges. It can then impose a temporary duty but the final duty will need to be approved by the majority of the EU member states in December.

The incident demonstrated the thriving relationship between China and Germany these days, which is driven essentially by economic considerations. China is the second largest export market of Germany outside the EU, with €66 billion in 2012, almost half of the EU exports to China. The Chinese market is also vital for German machinery and cars. On the other hand, China understands the growing German prominence in the EU in recent years and apparently feels a need for securing German support in handling different issues with the EU. It is expected that China-

Germany relations will remain strong in the near future but, as Hans Kundnani from ECFR warned, "the danger of this new special relationship is that it could undermine European strategic and economic interests."

SPECIAL POINTS OF INTEREST:

- 1) To learn more about the EU's anti-dumping investigation on solar panels, please refer to the report on [solar panels case](#).
- 2) To learn more about the EU's measures on the telecommunication equipment, please refer to the report on [EU trade defense measures](#).

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Should you have any comments or feedbacks on the issue, please feel free to e-mail at kpleung@hkbu.edu.hk



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