

Solar panels trade dispute

Attention has recently been drawn to the EU's investigation on the imports of solar panels originating from China after the media reported that Europe's trade chief was pushing for 40% provisional duties on the products. The European Commission launched an anti-dumping¹ investigation into imports of Chinese manufactured crystalline photovoltaic wafers, cells and modules on 6th September 2012, following a complaint lodged on 25th July 2012 by EU Pro SUN, an association representing more than 20 European companies in solar panels and components manufacture. This was the most significant anti-dumping complaint the Commission ever received, with €21 billion worth of goods imported to the EU in 2011.

According to the procedures, the Commission will issue its provisional findings within 9 months of investigation, which is in June 2013 and provisional anti-dumping duties might be imposed. On 1st March 2013, a compulsory registration² of the imports of Chinese solar panels and components to the EU is required by the Commission Regulation. In 2012, China was the world's largest producer of solar panels,

accounting for 65% of the global production. China exported 80% of its production to the EU and 10% to the US. The European producers complained that the low import prices of Chinese panels, with prices as much as 45% lower than those made in Europe, caused severe injury to the EU industry. For instance, it was reported that German manufacturer SolarWorld lost €500m in 2012 and is currently struggling to restructure its debt.

Nevertheless, the solar industry in the EU as a whole is not agreeing on a possible tariff. In the EU, many jobs in solar industry are downstream, which includes installation, engineering and other related jobs. A study of Prognos³, a German based think-tank suggested that a punitive tariff could cost the EU up to 240,000 jobs. The upstream industry, such as

INSIGHT

LEUNG KIN PONG

8TH MAY 2013



solar ingots manufacturers and raw materials providers, will face decreased Chinese demand for upstream materials in addition to likely retaliatory measures from China. Moreover, Europeans will be less motivated to switch to solar energy if costs increase, hampering the EU's effort in renewable energy conversion.

In China, it is expected that more than 400,000 workers will be affected in the industry. Some Chinese companies, such as Suntech, already face huge financial difficulties due to the recent export slowdown. How the EU handles the dispute will have significant impact on EU-China trade relations. Any protectionist measure seems to bring a no-win situation. It will be more mutually beneficial for the leaders in the EU and China to have constructive negotiation to resolve the issue.

SPECIAL POINTS OF INTEREST:

- 1) On 8th November 2012, the Commission also initiated an anti-subsidy proceeding of the products concerned. A separate investigation on Solar Glass from China, valued at less than €200m, was launched on 28th February 2013.
- 2) The regulation requires the importers to register their products of solar panels and components. According to Article 10(4) of the Council Regulation, an anti-dumping duty may be levied on products 90 days prior to the application of the provisional duties if the goods have been registered.
- 3) The study illustrated the impacts of tariffs on the EU employment from 2013-2015 based on the scenarios of 20%, 35% and 60% of tariffs. It estimates that a tariff of 20% would cost 115,600 jobs in the EU in the first year and a further job loss of 175,500 in the third year. If tariff was imposed at 60%, the loss would be 193,700 jobs in the first year and 242,000 jobs in the third year.

Leung Kin Pong is *Senior Research Assistant* of European Union Academic Programme Hong Kong. He holds a MA in EU International Relations and Diplomacy Studies at the College of Europe and his research focus is on EU financial and economic policies and EU foreign economic relations.

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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