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As Deadline Nears, China & E.U. Discuss Worsening Solar Dispute

Chinese trade officials will meet with the European Commission on Monday to discuss ways in which the two trading partners can avoid a worsening anti-dumping dispute regarding Made in China solar panels. A vote by Commission is scheduled next month.



Angela Merkel says she wants to avoid China-E.U. solar panel dispute, but her home grown solar industry won't be too happy about that.

On Sunday, German Chancellor [Angela Merkel](#) told China's Premier [Li Keqiang](#) that she would do everything in her power to avoid punitive tariffs on Chinese solar panels, that might go into affect as early as June 6. The German solar industry will undoubtedly not be pleased with Merkel's comments.

German firms, led by SolarWorld, were behind the push to get the European Commission to investigate anti-dumping allegations for over a year.

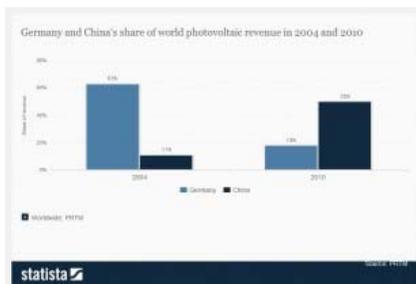
Germany's share of the world's photovoltaic revenue market completely reversed in five short years thanks to Chinese competition.

In 2004, Germany accounted for 63% of world solar panel revenues while China accounted for 11%. In 2010, China accounted for 50% and Germany slipped to 18%, according to PRTM, the management consulting subsidiary of PricewaterhouseCoopers.

China is now far and away the world's largest solar panel maker, and Europe is their biggest customer. Over 90% of China's solar panels are exported, the bulk of them going to the E.U. But many European competitors — led by SolarWorld — have charged that Chinese competitors are underpricing them in order to keep their grip on the lucrative European market.

Vice Commerce Minister Zhong Shan will meet European Union Trade Commissioner Karel De Gucht in Brussels on Monday to discuss the investigations into Chinese solar equipment, the Ministry of Commerce said Sunday.

China denies the German solar industry's allegations of dumping and Li, currently in Germany, is



Germany was the world's leader in solar panel manufacturing. Until China took over.

trying to make his case by saying higher tariffs would hurt European companies as well. He already has someone in his corner. That “someone” is The Alliance for Affordable Solar Energy. They are carrying China’s flag on this one, opposing the imposition of tariffs that will range between 37% and 68% if approved by the member states of the European Union.

The Chinese manufacturers have been more vocal this past week, pushing for high level talks in order to avoid worsening problems the industry already faces in China, with too many solar firms and over capacity. China may dominate this market, but this is still a market in trouble.

Added to that is the fact that the Europeans aren’t the steady buyers they once were. Cutbacks to European government mandated purchases of solar power due to the budget crises have taken their toll.

There’s been some fall-out. China-run Suntech Power, one of the largest solar makers in the world, filed for bankruptcy protection after defaulting on a [\\$531 million](#) debt in [March, the first ever Chinese default](#). If there ever was to be a default in China, it had to be one of three industries: real estate, automotive or solar. Solar was the first to fall.

The pro-China Alliance in Europe estimated that as many as 115,000 jobs could be lost if tariffs were increased 20%, and as many as 193,700 jobs lost for tariffs of 60%. SolarWorld called the numbers [“mathematical trickery.”](#)

In a speech in Switzerland last week, Li said the action might encourage trade protectionism, Xinhua news agency reported. Rumor has it that China would [slap similar tariffs on European solar-grade polysilicon](#), a raw material used in solar panel production.

Speaking at a joint press conference in Berlin with Li on Sunday, Merkel promised to ensure no permanent tariffs were imposed and added she will work over the next six months for a solution. The key word here was “permanent”. Temporary tariffs are not off the table. It will not be for Merkel to decide. In general, the southern countries within the E.U. tend to vote in favor of trade protectionism while the U.K. and Nordic countries tend to vote against.

“The Chinese government has thrown a lot of money and land at solar panel makers. Some of them don’t have to pay it back,” said Usha Haley, a research associate at the Economic [Policy](#) Institute in [Washington](#) and Director at the Robbins Center for Global Business and Strategy at West Virginia University. She has written extensively on [state subsidies in China](#).

“China’s government subsidizes solar panel production. With so many companies in the global solar industry declaring bankruptcy, it is partly because China is decimating them. It is grossly unfair. Once manufacturing has been wiped out, Chinese companies will raise prices and European and American solar won’t have the production anymore to counter that,” she said.

Last year, Washington also slapped tariffs on Chinese solar panels and modules. At least one American company, Evergreen Solar, [filed for](#)

[bankruptcy](#) in the state of Massachusetts before moving its entire production to China.

China solar stocks have been on a tear lately. JA Solar is up 43.14% in five days. Suntech Power is up 49% and now trading under \$1. Trina Solar is up 9.6% in the same five day period as investors speculate on a solution to the trade dispute.

See: [Merkel Vows To Avert China Solar Tariff](#) – Bloomberg

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