

# TRADE DEFENSE IN THE EU: THE CASE OF SOLAR PANEL IMPORTS FROM CHINA

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# THE BOOM AND BOOST IN THE SOLAR ENERGY SECTOR

- excitement about solar energy prospects in business, amplified by government subsidies to producers and/or installers and consumers of cells and panels
- boost of the solar sector in the US, Europe (esp. Germany) and in China
- avalanche of Chinese exports to the US and Europe:
  - cheaper and lower quality products?
  - genuine dumping, i.e. sold below production cost

# THE SOLAR PANEL DISPUTE IN BRIEF

- requests by producers for anti-dumping (AD) measures against imports from China first in the US, then in the EU
- preliminary duties imposed in the EU in June 2013, however, 'understanding' was reached, which was accepted by the majority of exporters

# THE SURGE IN EXPORTS FROM CHINA: FASTER THAN GDP GROWTH

- about half of exports originate from non-Chinese firms (relocation of production by Hong Kong and Taiwanese firms)
- exports attributed in statistics to country of last transformation
- large role of 'contract manufacturers', e.g. Foxconn
- rapid spread of global value chains, which incorporate ICT components in exported hardware
- China's export trade embodies less value added within China than gross trade data suggest

# ANTI-DUMPING MEASURES IN THE EU AGAINST IMPORTS FROM CHINA

- exports from China soon became the main targets of EU's AD moves
- upon WTO accession in 2001 China had to accept stringent restrictions and was treated as a 'non-market economy' during 15 years
- 5 conditions to be fulfilled by exporters to the EU to be granted market economy treatment (MET) (sectors or enterprises)

# CRITICAL ASSESSMENT OF EU AD ARSENAL

- conflict of interests between producers v. importers-installers-users and consumers in the home countries
- disagreements between and within EU member states
- in importing countries the loss of consumer surplus from AD duties exceeds the gain in producer surplus: governments appear to privilege the latter
- gains to consumers are heavily dispersed, loss to producers is concentrated and entails immediate job losses
- authorities appear to gratify domestic producers with protectionist favors (resulting from AD procedures), high discretionary space of the Commission in choice of analogue comparator country, neglect of the 'public interest test'

# WEAKNESSES OF THESE ARGUMENTS

- tendency to equate state enterprises in China with heavy state intervention, but the management format of SOEs is more relevant than the ownership pattern
- in the solar energy field the leading relevant Chinese firms are not public ones (Freeman)
- private enterprises increasingly dominant in China (Lardy)

# CONCLUSIONS

- trade defense instruments in need of fundamental reform: two failed reforms by the Commission
- the traditional mercantilist addiction to maximizing export proceeds is no longer valid
  - multinationalisation of business
  - regulatory discrepancies are now major hurdles to international trade and investment (Lamy)
- China should be granted market economy status



Thank you.

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