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China Escalates Solar War

China is adding insult to injury in the escalating war over [solar manufacturing](#) by moving solar panel manufacturing facilities outside of China to evade the largest anti-dumping penalties ever imposed by the European Union.



In June, the EU set an 11.8% provisional tariff on \$15 billion of silicon-based solar panels, solar cells and wafers imported from China, which boasts more than 100 domestic solar manufacturing companies, including Yingli Green [Energy](#), the world's largest solar photovoltaic panel manufacturer. The tariff duty is set to quintuple by August.

Trina Solar, JinkoSolar and several other Chinese solar companies have responded to the EU's import duties by offshoring production to facilities located in places like South Africa and Turkey.

Canadian Solar, which has most of its operations in China, is planning to open factories in Taiwan, Malaysia or Thailand, according to reports in [Bloomberg](#).

Many of the same Chinese solar manufacturers have also implemented plans to offshore production for solar panels and products sold to customers in the United States, which has also imposed [duties on solar imports](#) from China.

In "[Subsidies to Chinese Industry: State Capitalism, Business Strategy, and Trade Policy](#)," Usha and George Haley concluded that China's industrial subsidies have given China's solar manufacturers a "hidden advantage" and distorted market forces in perverse ways.

"The provision of lower costs through subsidies has removed firms' incentives to lower costs through economically sound actions that result in achieving economies of scale and in shedding excess production capacity," the book states. "Thus, many Chinese firms are economically inefficient in relation to their non-Chinese competitors, but Chinese subsidies overcome those inefficiencies and make those firms globally competitive."

Chinese subsidization leads to manufacturing overcapacity and inhibits consolidation among Chinese producers that otherwise would occur, which prevents companies from going out of business even when they should go out of business.

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