



Kenneth Rapoza, Contributor
Covering Brazil, Russia, India & China.

INVESTING | 3/25/2013 @ 7:24PM | 4,269 views

On European Solar Dispute, China Will Retaliate

[China](#) made it clear Monday that it will retaliate if the European Commission insists on playing hard ball with the country's beleaguered solar panel industry.

"If the E.U. insists on imposing duty orders on Chinese exports and severely hurts the interests of Chinese manufacturers, the Chinese government will not stand by. We have no choice but take any measure to protect the lawful rights of Chinese businesses," Chong Quan, deputy international trade representative with the Ministry of Commerce [was quoted saying](#) in *China Daily* today.

"Once again, we call on the E.U. to seriously consider China's suggestions as well as the appeal from enterprises from the EU's upstream and downstream solar industry to cautiously use trade remedy measures. We hope the dispute can be resolved through negotiations," Chong said.

The European Commission is considered imposing trade tariffs on China solar panels, saying the industry is subsidized and undercuts the European solar panel sector. For all its subsidies — and China does subsidize solar to some degree — one of the largest solar panel makers recently filed for bankruptcy.

Suntech Power ([STP](#)) went from a \$47 stock in 2008 to penny shares this year. The company is [now seeking protection](#) from its creditors in a Chinese bankruptcy court. It has outstanding debt of around \$2 billion.

China state owned banks are owed the bulk of it, around \$1.14 billion in overdue loans by the juggernaut Industrial & Commercial [Bank of China](#), Agricultural Bank and the Bank of China. They [defaulted on a \\$541 million](#) U.S. bond just last week.

And now the E.U. trade dispute over solar has China up in arms. This is a strategic sector in China. The country's leaders do not want to see it implode. As it is, the bulk of their exports all go to Europe. The U.S. slapped tariffs on solar panels last year. Exports are on the decline now that some European



China vows retaliation of European Commission agrees to tariffs on solar panels.

governments are cutting back on spending. Solar power is not seen as a priority, even in alternative energy conscious Europe.

The European Commission [announced in September](#) that it will investigate alleged government subsidies for Chinese solar panel manufacturers. A preliminary ruling is expected to be issued in early June.

The complaint about China solar was filed with the European Commission on July 25th by a trade group called [EU ProSun](#), an industry association that represents the majority of European solar panel makers. The complaint outlined in the [European Commission memo](#) alleges that solar products imported from China are entering the European market with prices below market value, giving the Chinese companies an unfair advantage due to home grown subsidies.

The Commission is legally obliged to open an anti-dumping investigation if it receives a valid complaint from a company that can provide evidence that one or more countries are dumping a particular product into the E.U. and causing injury to local players.

On March 5, the European Commission ordered its member states to register imports of Chinese solar panels and their main components, an administrative step underscoring punitive duties to be applied retroactively if fault is found in the investigations.

“Dumping is the fundamental problem in the European solar market,” Milan Nitzschke, President of EU ProSun, [said in a press release](#). “China’s daily violations of international trade law destroy thousands of manufacturing jobs in Europe. Tolerating this situation will allow China to create a monopoly in the solar industry, leading to disastrous effect on the European solar industry, including suppliers, equipment manufacturers and thousands of installers. This is because monopolies lead to higher, not lower, prices.”

Last November, the [United States](#) imposed large anti-dumping tariffs of as much as 249.96% and other duties of up to 15.97%.

“Solar is a very capital intensive industry and the Chinese government has been giving these guys money and land,” said Usha Haley, a research associate at the Economic [Policy](#) Institute in [Washington](#) and a professor of International Business at Massey University in New Zealand. “Some of these companies will never pay these loans back. In the U.S., for example, they support the solar panel industry through grants for research and development. It is more about intellectual property. But in China, the money from the government goes to production. Some manufacturers have moved to China because of production.”

In 2011, Massachusetts based [Evergreen Solar moved all of its production to China](#). It [filed for bankruptcy](#) in the state around the same time.

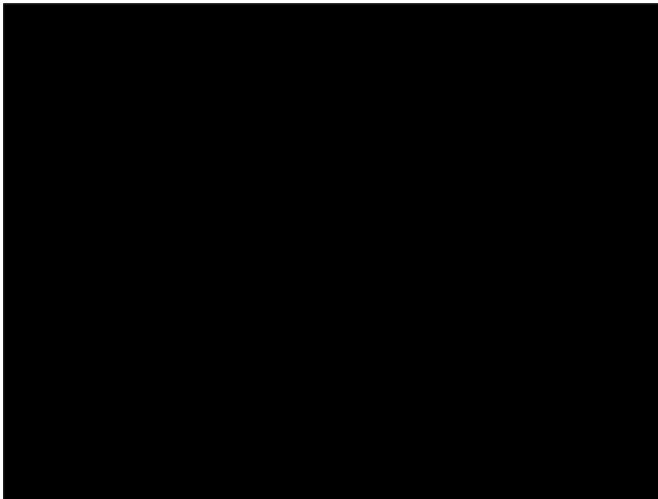
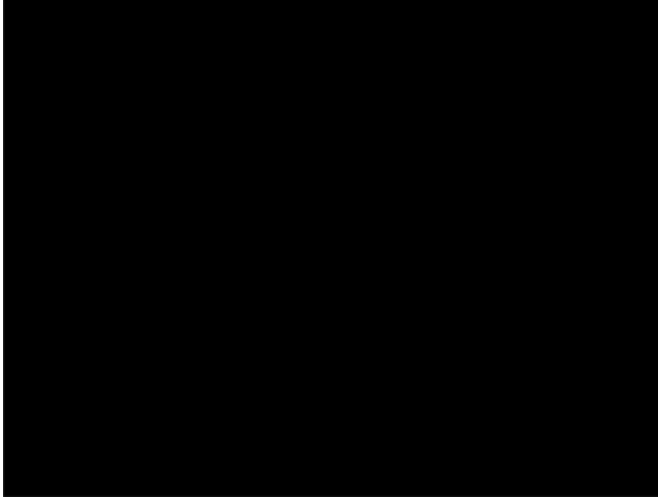
Haley is the co-author of the [book Subsidies to Chinese Industry: State Capitalism, Business Strategy and Trade Policy](#) by Oxford University Press. She told Forbes earlier this year that China was “decimating” the competition.

A report from the German think-tank Prognos, commissioned by [The Alliance for Affordable Solar Energy](#), a coalition of over 160 companies in the European solar panel industry, said production of solar products within the E.U. may very well increase but warned that demand would fall because of the extra cost of solar products.

China subsidizing production keeps prices low.

The Alliance said it predicts the loss of between 170,000 and 240,000 jobs within the E.U. and a total economic loss of between \$24 billion and \$36 billion over three years. Germany is expected to suffer most, followed by Italy, Spain and the United Kingdom.

An [open letter](#) to the European Commissioner of Trade by the Alliance began with, “We are very concerned about the outcome of the anti-dumping and anti-subsidy investigations into Chinese solar products which could very significantly affect our business and future growth. We fully support the Alliance for Affordable Solar Energy’s vision for a healthy and free solar panel industry in Europe.”



This article is available online at:

<http://www.forbes.com/sites/kenrapoza/2013/03/25/on-european-solar-dispute-china-will-retaliate/>