



## Escalating EU-China trade row over solar panels

On 5 November 2012, China filed a [WTO complaint](#) against the EU and specifically Greece and Italy, alleging that certain feed-in tariff programmes adopted to promote solar power generation are inconsistent with WTO rules, because they include local content requirements violating the GATT's national treatment principle. The EU lodged a similar WTO complaint against [Canada](#) which has been [partly upheld](#) according to a leaked interim report.

### Background

China's WTO complaint as well as its ongoing anti-dumping [probe](#) into imports of EU-produced solar-grade polysilicon, used in solar panels, came in the wake of two separate investigations the EU launched into solar panels originating in China. On 6 September 2012, the Commission initiated [anti-dumping investigations](#) into Chinese photovoltaic cells following a complaint lodged on 25 July 2012 by [EU ProSun](#), an industry association of 25 European solar panel producers, alleging that Chinese solar panels and their key components enter the EU market at prices below market value. On 8 November 2012, based on another complaint filed by EU ProSun, this time accusing China of providing subsidies to the country's solar-panel manufacturers, the Commission launched [anti-subsidy investigations](#) against China.

Owing to the huge trade volume at stake – in 2011 Chinese companies exported solar panels and components worth about €21 billion to the EU – the Commission's investigations are the biggest ever in its history. While the result of these investigations will not be known until next year, the [United States](#), the second-largest market for Chinese solar panels after the EU, in October 2012 imposed heavy anti-dumping and countervailing tariffs on solar panels from China ranging between 31 to 249%.

### Tackle worldwide overcapacity

During the last decade, the [Chinese solar industry](#) has been the most dynamic and fastest-growing in the world. It is largely export-oriented and has built up [huge over-](#)

[capacity](#). Although the Chinese solar sector derives considerable advantages from its economies of scale, low labour and raw material costs, it has increasingly suffered from massive losses due to dramatically declining prices and waning demand *inter alia* from the EU as a result of the severe [scaling back of support schemes](#) for solar energy generation in several Member States. However, unlike their ailing counterparts in the EU, which are faced with drastic consolidation, Chinese solar companies so far have not been forced out of business thanks to large state-led [bailouts](#).

### Shareholders' views

Apart from raising questions as to whether [feed-in tariff programmes](#) across the EU are "WTO-proof", China's WTO complaint has reopened the debate on the appropriateness of imposing EU trade-defence instruments against China. While big solar-panel manufacturers, lobbying for a level playing field for EU companies, are strongly in favour, parts of the European solar industry representing the whole value chain, such as the [Alliance for Affordable Solar Energy](#), are firmly against them, arguing that punitive tariffs would drive up solar power's costs, making it a less attractive energy source for consumers.

### EP activities

Vital Moreira, chair of the INTA committee, tabled an [oral question](#) to the Commission asking whether it is prepared to adopt measures to protect the EU market from unusually low-priced imports of Chinese origin, especially photovoltaic panels, and whether it will, jointly with the Member States, define a common EU-wide strategy for developing the renewable energy sector with a view to maintaining the EU's competitiveness in this field. In its resolution of 23 May 2012, "[EU and China: imbalanced trade?](#)", the EP urged the EU to make use of trade-defence instruments consistent with WTO rules and to resort more often to the WTO dispute-settlement mechanism in the event China is engaging in illegal trade practices.