

# EU Protection Policy on Solar Panel Imports from China in 2013

**Madaniyah**

Yogyakarta University of Technology, Indonesia

Email: [dwisiyamsih@gmail.com](mailto:dwisiyamsih@gmail.com)

## **ABSTRACT**

*This study seeks to elucidate the rationale behind the European Union's adoption of an anti-dumping measure concerning the importation of Chinese solar panels in 2013. Employing a qualitative explanatory approach grounded in the concept of protectionism, the research delves into the European Union's strategic considerations. Given the region's reliance on fossil fuel imports, there exists a pronounced emphasis on renewable energy sectors, particularly solar panels. Initially a frontrunner in solar panel production, the European Union has encountered increasing competition from China. In response to this intensified competition within the solar panel industry, the European Union opted for a protectionist stance, manifested in the form of anti-dumping measures aimed at addressing the significantly lower selling prices of Chinese products, which fell below established minimum thresholds.*

**Keywords:** *European Union, China, Anti-dumping, Solar Panels*

## **INTRODUCTION**

The European Union, which consists of 27 member states, acts as a regional organization in Europe. As a supranational entity, the European Union is a forum where member states delegate some of their power in decision-making on issues of common interest. In intra-territory trade, the European Union implements a single market, which allows trade without any internal boundaries or regulatory barriers to the movement of goods and services. When dealing with international trade or trade outside its territory, the EU has the exclusive responsibility of legislating, negotiating, and concluding international trade agreements. The European Union, along with its member states, is a member of the World Trade Organization. The European Union, as a member of the World Trade Organization (WTO), is committed to complying with international trade rules set by the WTO. The European Union reaffirmed its commitment to practicing open international trade, in line with the principles of the free trade regime, which emphasizes on non-discriminatory export and import trade by governments, both in the form of tariffs and non-tariffs.

In addition, the European Union implements the Generalised Scheme of Preferences (GSP), which aims to make it easier for developing countries to export goods to the European Union. Through this scheme, developing countries can benefit from a reduction in tariffs on goods, either partially or entirely. The European Union recognizes that the needs of developing countries vary, therefore, there are three types of GSP schemes offered: standard GSP, special GSP, and "Everything But Arms" (EBA) GSP.

GSP+ and three EBAs (Everything but Arms). In practice, policymakers do not always fully implement their international commitments, and this is also true for the European Union. In 2013, the European Union announced the implementation of an anti-dumping policy against

Chinese solar panels. The move was taken after the discovery of alleged dumping practices by China, which was shown by a drastic drop in the selling price of solar panels in Europe from EUR 3 per watt in 2008 to EUR 0.40 per watt in 2011. According to the WTO, dumping is an unfair trade practice carried out by exporting countries, which can harm domestic industries and businesses in the receiving country. The European Commission revealed that Chinese solar panels are sold in Europe at prices well below normal market value. Supposedly, the selling price of Chinese solar panels in Europe is at least 88% higher than the actual selling price. In response, starting in August 2013, import duties were increased from 11.8% to 47.6%. China has benefited in exporting low-priced solar panels to the European market, which the EU solar panel industry says is due to government subsidies and soft loans. The drastic decline in the price of Chinese solar panels from EUR 3 per watt in 2008 to EUR 0.40 per watt in 2011 is considered to be detrimental to domestic solar panel manufacturers in Europe. Although low import prices provide advantages for importers and consumers, it is not profitable for domestic producers. This situation pressures the market.

The damage inflicted on domestic producers by imports of goods will weaken their productivity and competitiveness, which can ultimately lead to their inability to compete, as happened to the Q Cells and Conergy companies that went bankrupt around 2012 to 2013. As a policymaker in its region, the EU has a responsibility to protect domestic producers and ensure fair trade competition. The EU's decision to implement this policy has sparked protests from various quarters, who consider it a violation of the EU's commitment as a member of the World Trade Organization to advocate free trade. In addition, at the time of this policy, China was still a beneficiary of the General Scheme Preference (GSP), which provides duty relief in trade with the European Union. Since China is one of the EU's largest trading partners, the implementation of this policy is considered to be disruptive to relations between the two. Despite the protests and various consequences related to the implementation of this policy, the European Union maintained the policy from 2013 to 2017, even extending its validity period by 18 months until 2018. Although the EU actively adheres to the principle of free trade, its loyalty to this protectionist policy shows that challenges related to global trade require complex and sometimes contrary to previously held principles.

## **METHOD**

This research is an explanatory qualitative research. According to Susan E. Wyse (as mentioned in Umar Suryadi Bakry, 2016:17), qualitative research methods are exploratory research. Wyse explains that this method is used to gain an understanding of the reasons, opinions, and motivations that underlie a behavior. According to John W. Cresswell (quoted in Umar Suryadi Bakry, 2016:14), qualitative research is an approach to explore and understand meanings that are considered to come from social and humanitarian problems by a number of individuals or groups of people. Qualitative methods collect and produce data in the form of words (verbal), pictures, or objects, not numbers (Umar Suryadi Bakry, 2016:19). Research with

an explanatory design aims to explain the causes and consequences of a phenomenon. In this context, explanatory qualitative research is expected to be able to provide an explanation of the reasons behind the EU's decision to impose barriers to solar panel trade with China.

This research uses internet-based data collection techniques. Technological developments, especially the use of the internet, have been on the rise since the 1990s. This has become an opportunity for researchers to explore the possibilities of research that the internet can offer (as explained in Umar Suryadi Bakry, 2016:176). The internet is not only used to access traditional scientific materials, such as scientific journal articles and books, but can also be used to collect data or information relevant to the research topic (Umar Suryadi Bakry, 2016:176). For example, articles found on news websites or official government websites that contain official documents or statements from the government.

## **RESULTS AND DISCUSSION**

This research uses internet-based data collection techniques. Technological developments, especially the use of the internet, have been on the rise since the 1990s. This has become an opportunity for researchers to explore the possibilities of research that the internet can offer (as explained in Umar Suryadi Bakry, 2016:176). The internet is not only used to access traditional scientific materials, such as scientific journal articles and books, but can also be used to collect data or information relevant to the research topic (Umar Suryadi Bakry, 2016:176). For example, articles found on news websites or official government websites that contain official documents or statements from the government.

The Chinese government quickly realized the importance of this solar panel sector and immediately took strategic steps to increase solar panel production. In 2007, China began to take over the solar panel sector with a decision from the Chinese Premier to invest hundreds of billions of dollars in the field. Through the Golden Sun Pilot project in the period of 2009-2012 in the northwest region of China with a capacity of about 5.8 gigawatts, the installation of solar power plants played an important role in developing the domestic solar panel market. Despite the global financial crisis in 2009 that affected the performance of the solar panel sector, including the increase in anti-dumping and anti-subsidy measures in the United States and the European Union, China's domestic manufacturing industry continued to experience rapid growth. However, this rapid growth also creates a problem, namely excess production capacity. Excess production capacity can disrupt the balance between demand and supply in the market.

In a relatively short time, the Chinese government has been actively implementing strategies to develop the solar panel sector. Over the past decade, the Chinese government has given significant impetus, including investment in research and development (R&D), demonstration projects, feed-in entry rates, as well as tax preferences, which have driven the development of the solar panel industry in China (Sun Honghang et al., 2014:6). The Chinese government has also implemented a number of strategies to support R&D in solar panel technology, including the establishment of several major national laboratories to promote the company's technology R&D (Sun Honghang et al., 2014:6). One of the projects accelerating the development of the solar panel sector is the Power Supply Plan for Rural Areas without

Electricity in the Western Province and Region, with a total investment of 2.6 billion. The central government provides special funds for renewable energy to support solar panel technology in construction and applications, such as the Golden Sun project that ran between 2009-2012.

However, strong efforts to develop the solar panel sector in China have also posed problems, particularly the significant excess production capacity due to the government's efforts to encourage economic growth and massive investment in the industry to achieve high profits. This results in a lack of adjustment mechanisms in the solar panel industry, with factories expanding massively to achieve short-term gains. This excess capacity causes fierce competition between companies and leads to losses for companies in this solar panel sector. Therefore, the European Union is taking defensive measures by implementing an anti-dumping policy to protect its solar panel sector. China's solar panel industry has long relied on an export-oriented drive driven by incentive policies, although its domestic market is still relatively small, although domestic market absorption has increased recently. The dominant position of the European Union as the market leader is still intact, because the key to the sustainability of the solar panel industry in the face of difficulties lies in the expansion of the domestic market. The overcapacity experienced by China's solar panel sector has created market distortions resulting in unfair trade. Referring to the fairness argument described by Cordon in "Protectionism and World Welfare", import competition resulting from more favorable conditions abroad can be considered unfair to domestic industries. For example, if a country subsidizes a particular industry or a particular export product, this can be considered a form of unfair trade distortion.

Whether to protect the industry from losses or to allocate funds to research and development, the education system, the agricultural sector, or to revive the manufacturing industry, the state will often try to intervene in the policies of other countries for its own benefit. In this regard, the Chinese government has increased the development of the solar panel sector to 100%, supported by large interest-free credit lines and large subsidies, which generate overcapacity and give rise to fierce competition among other manufacturers. The European Union finds itself in a disadvantageous position. This is because China implements a policy that provides large funds to producers, which ultimately results in excess production capacity. This excess production capacity reduces market share for European domestic producers, prompting the EU to take action to protect its domestic producers from further losses. The European Union emphasizes the importance of fair competition in trade, so it immediately took steps to respond to the issue involving unfair actions against its domestic producers. The European Union adopted a more defensive strategy by implementing an anti-dumping policy. Perceived unfair competition, where the price of imports is much cheaper than domestic products, has caused losses for European domestic producers, which must be protected by the European Union.

## **CONCLUSION**

The implementation of this protection policy is first of all a response from the European Union to China's policy involving massive subsidies to its solar panel sector. This Chinese policy has succeeded in boosting the growth of their solar panel sector, making them the world's largest

producer in this regard. However, the impact is the occurrence of excess production capacity which puts pressure on other manufacturers and disrupts the stability of the solar panel market. Second, the European Union has benefited significantly from the development of renewable energy, especially in terms of solar panels, which has experienced positive growth year on year. These gains mainly impact their ability to reduce dependence on fossil fuel imports and realize their ambition to become a leader in the use of renewable energy. Therefore, the EU needs the strength and stability of domestic producers so that the interests of the EU are well achieved. Third, a decrease in productivity from solar panel manufacturers can potentially trigger employment problems, which is one of the important factors for a country's economic sustainability. Therefore, the EU uses protection strategies to maintain and protect their domestic solar panel sector so that it continues to operate properly and is able to achieve the interests of the European Union.

## **BIBLIOGRAPHY**

- Bakry Suryadi Umar. (2016). International Relations Research Methods. Yogyakarta:Pustaka Siswa.BBC News. 2013. EU and China Reach deal in Solar Panel Dispute. Accessed via <https://www.bbc.com/news/world-europe-23475584> on March 19, 2020
- Chen, Yu. (2015). EU-China Solar Panels Trade dispute: Settlement and Challenges to the EU. European Institute for Asian Studies. pp 2-512
- European Parliament News. 2018. Antidumping policy: how the EU fights unfair trade practices. Accessed via <https://www.europarl.europa.eu/news/en/headlines/economy/20180601STO04822/anti-dumping-policy-how-eu-fights-unfair-trade-practices> on March 19, 2020
- Gordon Coraline. (2018). Fighting against climate change and for fair trade: finding the EU's interest in the solar panels dispute with China.
- Springer.Chian-EU Law J (2018)Hong hang Sun, Qiang Zhi, Yibo Wang, Jun Su. (2014). China's solar photovoltaic industry development: the status quo problems and approaches. Applied Energy Journal. PP 1-8
- Madsen, Dorte Norgaard, Hansen Jan Petter. (2019). Outlook of solar energy in Europe based on economic growth characteristic. Renewable and Sustainable Energy Journal.
- Mas'oed Mohtar. (1998). Matriculation Materials: Political Economy Perspectives in International Relations Studies.
- Plasschaert, Sylvain. 2016. Assessing the Solar Energy Dispute between the European Union and the People's Republic of China. Accessed via <https://ecipe.org/publications/the-solar-energy-dispute-between-eu-and-china/> April 5, 2020
- Salvatore Dominick. (1993). Protectionism and World Welfare. Australia: Cambridge University Press
- Solar Power Europe. (2017). Solar PV Jobs and Value Added in Europe. Accessed via <https://www.solarpowereurope.org/wp-content/uploads/2018/08/SolarPV-Jobs-Value-Added-in-Europe-November-2017.pdf> on March 21, 2020.

Waldau A Jager Ossenbrink,Scholz,Werring. (2004). Eu Directive, National Regulations and Incentives for Photovoltaic Solar Energy.

Accessed via

[https://www.researchgate.net/publication/264052713\\_EU\\_Directives\\_national\\_regulations\\_and\\_incentives\\_for\\_photovoltaic\\_solar\\_energy](https://www.researchgate.net/publication/264052713_EU_Directives_national_regulations_and_incentives_for_photovoltaic_solar_energy) on November 26, 202