COMPETITION AND PARTNERSHIP IN
THE SOLAR PHOTOVOLTAIC
INDUSTRY BETWEEN CHINA AND
THE EUROPEAN UNION

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Chinese President Xi Jinping’s visit to Europe between 22 March and 1 April 2014 was hailed as a historical landmark in EU-China relations. In the Joint Statement issued during his visit, both sides welcomed the recently achieved negotiated solutions to their major trade disputes.

China and the European Union (EU) have a close partnership in the development of clean energy. Meanwhile, competition between the two over green technologies has intensified.

While the EU is a major source of technology transfer to China, its demand for clean energy has been boosting Chinese exports of green products.

Solar PV industry constitutes an important part of China’s green blueprint. It has enjoyed steady growth largely from China’s supportive industrial policies and market policies since around the mid 2000s.

Because of the limited size of the Chinese domestic market, the industry remained highly export-oriented and the EU was the largest export market for Chinese solar panels.

The industry, however, was in serious production overcapacity when tackling the challenges of the global financial crisis. Meanwhile, the demand from the European market was in decline due to reduced public financial support.

The anti-dumping and anti-subsidy investigations of imports of Chinese solar panels initiated by the EU respectively in September and November 2012 had dampened Chinese PV exports to Europe.

In retaliation, China launched anti-dumping and countervailing investigations of imports of European polysilicon and wine products, while keeping communication channels open for negotiations.
9. The two parties reached an agreement in July 2013 whereby Chinese PV exporters would take a price undertaking and be subject to an export quota.

10. As green protectionism is against their interests, China and the EU are committed to resolving their trade disagreements instead of applying protectionist measures.

11. Although more trade disputes are likely given the intensity and complexity of China-EU trade relations, the strong economic interdependency in all likelihood will act to deter green protectionism from undermining relations.