

THE EUROPEAN UNION, CHINA AND SOLAR PANEL

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Abstract

The European Union and China are the two countries that have advantages in each of them. The European Union and China have a dispute regarding renewable energies, namely the problem with solar panels. China's policy of making solar panels prices have low bargaining power makes the European Union unable to accept the policy because it can cause a long trade conflict. The case study in this paper also illustrates that the EU is actively approaching it to overcome environmental challenges in China by involving the European Union in dialogue and negotiation on various issues and providing capacity-building support. China also introduced trade reforms and carbon emissions to environmental decision-making bodies in the European Union, and it was supported by the European Union, including through meetings to determine sustainable policies and development projects on energy and the environment.

Keywords: EU – China dispute, Environmental Challenges, anti-dumping, China's policy, World Trade Organization

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1. Introduction

The European Union and China are working on climate change and environmental issues. China and the European Union (EU) agenda is China to adopt policies and standards similar to those in the European Union through dialogue and negotiations and helping through capacity-building support. One of the primary outcomes of the European Union-China in June 2015 is the European Union-China joint statement on climate change. Climate change is a sensitive topic, while the remainder of the European Union-China agenda seemed positive.

Hanns Maull, who was a sharp critique of the search for strategic partnerships between Europe and China, saw the field of climate change as promising because the European Union has been quite successful in forging joint policies and may be able to improve meaningful and balanced political relations with Beijing. The European Union has succeeded in forming joint policies. It may be able to increase its meaning as well as balance in political relations with Beijing. However, there are anti-dumping cases that become major trading problems, especially in terms of contradictions between the interests of industrial strategy. The dispute initially resulted from an interpretation of the neo mercantilism, where the European Union and China became representative of defending economic interests that were incompatible with political pressure and the threat of trade wars.

Major media on both sides are mostly interpreting this, where the European Union and China as single entities compete for global economic power. In Europe, they portray China as a threat factor that causes disunity between member states and holds control over other member states, thus dividing the European Union and failing to sustain its commercial interests. China accused the European Union of abusing trade ethics to protect the unfamiliar union. Economic benefits play a more significant war in disputes, and this is the difference between the economy and the impact of the global environment.

The case of cell-related defense and photovoltaic panels used to generate new energy is a strategy for Europe to combat climate change. The European Union claims that the actions against diesel panels sold by China at a low price are one of the fair policies against climate change. International trade norms and practices do not follow environmental arguments, which don't take sides with European or China positions. In times of contention, however, the rules of this global trade are debated, globally, and in the European Union.

2. Literature Review

The China and European Union discuss environmental policy at the ministerial level as part of the 2003 strategic partnership agreement. The second meeting of the ministerial dialogue is planned on the next two years before it happens for the second time, the dialogue more regularly occurred in 2010. The European Union and China bilateral cooperation mechanism for forests launched in 2009 between the Directorate General of the Environment on the European Union side and the Chinese State Forestry Administration. The Sustainable Urbanization Partnership was launched in 2012, which brings together a variety of relevant stakeholders on both sides, including other regional and city governance actors. The ongoing dialogue and negotiations in these forums, the

European Union and China are also increasingly developing practical bilateral cooperation projects that have sought to build the capacity of national and lower-level governments in China concerning climate and environmental policymaking (Diarmuid 2018).

European Union and China also involved in projects which aim to strengthen the Clean Development Mechanism as the central pillar in China's pathway to sustainable development. In the broader arena of environmental policy, collaborative projects have included the European Union and China Environmental Management Program. The European Union and China Environmental Sustainability Program were launched in 2012, and the achievement of China's environmental and climate targets is the 12th “Five Years Plan” and the China and Europe Air Platform, was launched in 2012 too at dialogue and capacity building to develop an integrated approach to water management in China.

The most important thing about the European Union and China environmental and climate change capacity building projects in recent years has focused on the theme of greenhouse gas emissions trade and environmental decision-making institutions. China is the world's second-largest economy and one of the European Union's main trading partners.

The greenhouse gas emission trading scheme is placed in the emissions certificate as a heavy polluter. The logic is to limit the number of carbon emissions allowed in the market for some polluting companies. This is called carbon credit, where the placement is done free of charge or auctioned but can also be traded with other companies because the benefits and the ability to sell it are scarce, carbon prices emerge. This has become one of the factors for companies to make business decisions. Thus, the Greenhouse Gas emission trading scheme aims to reduce carbon emissions as a whole effectively.

In the early 2000s, trade-in sulfur dioxide emissions in China were not successful because the policy was not following the government's plan. The Ministry of Finance (MOF) and the National Development and Reform Commission are the leading players in efforts to reduce Greenhouse Gas emissions. The National Development and Reform Commission supports emissions trading, while the Ministry of Finance strongly advocates a carbon tax. China makes them prefer policies that maintain control, and bureaucratic competition over the two system approaches involved in the adoption stage of the initial strategy.

The National Development and Reform Commission officially approved the ETS pilot in November 2011 in five cities such as Beijing, Tianjin, Shanghai, Chongqing, and Shenzhen and two provinces such as Guangdong and Hubei. The State Council and the National Development and Reform Commission agreed to emissions trading in 2011 and 2013. Then in 2016, the Minister of Finance announced that there would be no foreign carbon tax collection. So during the policy adoption process, the National Development and Reform Commission is the main actor in the policy process of adoption of research and development to the national strategy.

The Europe-China initiative on emissions trading began in 2006, and the European Union is the first organization to support China in developing emissions trading consistently. China's debate about emissions trading makes the EU interact directly with the National Development and Reform Commission. The European Commission and the National Development and Reform Commission have organized

such interactions. The interaction discussed various European experiences, namely "positive signs of China's movement towards the formation of carbon trading."

In September 2012, at the 15th China-Europe Summit agreed in terms of "deepening policy talks and working together to tackle climate change, including in the field of emissions trading, and in this case, the European Union has agreed to provide € 25 million to help finance and knowledge of pilot projects in China. The price of carbon in the Chinese market will reduce the possibility of carbon leakage. The European Union aims to export its policies that apply to the carbon market to China. The European Union is currently the host of the world's most advanced emissions trading system. Although the European Union emissions trading scheme has not functioned perfectly in recent years and is currently undergoing massive reform, the European Union is still a region where the EU exercises intellectual leadership. Countries around the world have seen the European Union and emission-trading schemes develop their own emissions trading system. Besides the EU, each EU member country, especially Germany, the United Kingdom, and Italy, and several international actors who have been involved with various actors and regions of China in emissions trading such as the World Bank, Norway, and Australia.

3. Research Methods

The author uses library research techniques to do this writing. The author uses a library research, namely a collection of things to do related to the library data series method, analyzing and taking notes and processing the research material. So the method that I use to write this research is a qualitative descriptive method. The qualitative method itself is a research to apprehend what phenomena experienced by way of the subject.

However, with the qualitative descriptive method, the creator can assemble it because the library method uses qualitative data and is described in a descriptive history. The statistics bought is secondary data, particularly facts or archives associated to writing problems.

4. Results and Discussions

4.1. Dispute Over the European Union-China Solar Panel

A group of European solar panel producers, one of which is Europe's largest solar panel producer, Solar World Germany, submitted a petition to the European Commission in June 2012, after it was discovered that imported solar panel products from China were allegedly dumped into the European market. These solar panel manufacturers from Europe suspect that Chinese solar panel products can enter the European market by 80% because of the practice of illegal dumping and subsidies granted to China solar panel producers by the China authorities (Bondaz 2013). This has an impact on the high number of business closures experienced by solar panel manufacturers in Germany in 2012. Solar panel manufacturers such as Q-Cell, Conergy declared bankruptcy, and Solar World has lost about € 500 million in 2012 (J. Chaffin, Financial Times 2012 b).

Regarding the submission of this petition to the EU commission, the European Commission decided in September 2012 to start an investigation into the issue of trade

between European and Chinese producers in the solar energy. With the high value of China's solar panel exports to the European market, which reached € 21 billion in 2011. Keqiang, who was then the Prime Minister of China, responded to this problem 'We disagree and firmly reject this decision' (South China Morning Post 2013). Apart from that, China leaders as well warned the European Union that they would investigate polysilicon products. This investigation will be aimed at suppliers from Germany who consider China as its biggest customer. The import value of European polysilicon has reached \$ 870 million (Hook 2012).

This solar panel product is part of a PV (Photovoltaic) module or referred to as a set of solar PV modules. This solar panel is a renewable source of energy that can directly transform solar energy into electricity and be used in commercial activities. It can also be used to substitute conventional electricity in houses. In recent decades the demand for solar panels on the European Union market has increased, with solar energy becoming a source of renewable energy. Within this climate and energy package, solar panel utility energy usage in Europe will increase to 20% of total usage by 2020. European union member states have enacted their energy policies to improve the energy consumption of renewable energy products they are in 2020.

Since 2000 the solar manufacturing industry in China has experienced a significant rise. Due to slow solar energy production and lack of government incentives to develop and innovate in solar energy, solar manufacturing was heavily dependent on the central government in the 1990s. After the World Trade Organization ratification in 2001, strengthening the Chinese economy in the world economy has affected global trade by increased selling prices in the manufacturing sector. After a decade, China had been the world's biggest manufacturer of solar panels. The product is valued at more than 90% for Chinese solar panel products exported, and around 80% entered the European market.

Karel De Gucht, a former European Union commissioner, said to keep a firm stand on this issue. Karel said: 'It is clear that the dumping of solar panel products originating from China damaged the European solar energy product industry. It was to the detriment of at least 25,000 employees in this sector. Karel suggested that solar panel products from China should impose an average import duty of 47% (Q. P. Chaffin 2013). The EU commissioner for trade does not plan to give up easily to China: "They will not impress me by putting pressure on member countries." The selling value of 88% of China's solar energy on the European market is too small, and in early June 2013, the European Commission agreed to impose temporary import tariffs. Initially, it is worth an average of 11.8%, but after two months, it will be increased by 47,6% if there is no compromise with the Chinese government agreed at the time (BBC News 2013).

With the investigation carried out by the European Commission on solar panels. China also does the same thing. They announced they would conduct an official trade investigation of European polysilicon products through the China Ministry of Trade. Wacker Chemie, Europe's largest supplier of polysilicon, has been asking the EU to follow up on the problem immediately. The Chief Executive of Wacker, Rudolf Staudigl, said: "If tariffs are applied, Europe will suffer more losses than China" (J. Chaffin, Financial Times 2013 c).

The German Minister of Economy, Phillipe Rösler, also supported this statement and urged the EU to negotiate and find solutions to this problem. Before an EU commission inquiry, German Chancellor Angela Merkel said she had not hidden her

unwillingness to endorse trade action against China. During the delegation to Beijing, Merkel conveyed Germany's stance to establish a "special relationship" between China and Germany, leading to 18 bilateral treaties. This makes the case of polysilicon accelerate Germany's role in solar panels.

In addition to an investigation of Europe polysilicon conducted by China, the Chinese Government also launched an inquiry into wine imports from Europe. Besides, the editorial at Peoples Daily, the mouthpiece of the Chinese Communist Party still has 'lots of cards to play' (Phillips 2013). China also threatened to make an official complaint about sports cars imported from Europe, not stopping at these two things. The countermeasures from China have made it clear that if the EU continues the high tariffs on the Chinese solar panel industry.

There is concern within the European that the Commission's plan to push the Chinese side would go out of control and cause bilateral ties to be disrupted. In mid-July, many member states appeared to oppose the Commission's final steps. While the commission will provide a temporary discount of 11.8%, it will help to facilitate negotiations between the two parties. This decision was opposed by one of the European solar panel producers, Prosun. According to Prosun, the commission's decision did not solve the problem quickly.

4.2. The Challenges for the European Union in the case of solar panels

European Union member states obtained benefits from the presence of large trade capacity with China have opposed the imposition of import tariffs on solar panels originating from power plants in Asia. The same thing happened to European Union wine exporters who were affected and harmed by the measures and regulations established by China because China was also one of the second largest wine importers in the region in 2012 by buying products of € 285.7 million. This product is half of the products supplied by France.

In addition, there are also threats made by China, including, to conduct an investigation of imports of luxury cars carried out by Europeans, and many of the luxury cars are manufactured by German companies that are part of the European Union. The placement of the two countries between France and Germany, which has quite a strong economic power and has a significant role, greatly influenced China during the negotiations regarding the solar panel dispute. And in the end, the minimum price is applied not as a starting point for anti-dumping levels.

Thus China can see and observe the shortcomings of the European Union and take advantage of these shortcomings as an opportunity for China during this trade negotiation. China used this strategy to talk with each Member State and hinder the European Commission. Prime Minister Li, who strongly opposed the existence of "protectionist trade measures" and asked for support from China's biggest trading partner, which is part of the European Union, namely Germany.

After meeting with Li, German chancellor Angela Merkel made a decision that Germany would work together to ensure that it would not set a permanent import duty on Chinese solar panel products. German Economy Minister Philipp Rösler also rejected heavy trade charges on solar panels, saying it was a "big mistake" that would jeopardize bilateral trade cooperation and cause trade conflicts. Likewise, Britain, the Netherlands, France, and other members of the country also opposed the task of considering trade relations with China. Member countries that have good trade relations

with China weaken the role of the commission in representing the consolidated European Union in negotiations.

While solar power plants produced by European Union countries are filing complaints based on uncompetitive prices set by China, the low cost of solar panels is reduced to benefit EU renewable energy policies. When the European Union seeks to become a global role model for renewable energy, and this solar power is the source of renewable energy. The European Union claims to be able to meet 20% of European Union renewable energy consumption by 2020, to witness rapid growth

In 2020 European Union member states have taken national steps aimed at increasing the supply of renewable energy in their energy consumption. Feed-in-tariffs have been used and implemented by many countries to increase the installation of solar panel products. In particular, EU countries are given the responsibility to subsidize solar customers, and meanwhile, the Chinese government gets a share to subsidize solar panel producers. Also, the huge budget burden forces European Union member states to reduce their subsidies to solar panel consumers drastically. The low price of solar panel products imported from China has freed European countries from the financial burden of available subsidies. Chinese products are considered by some to be an important factor for making solar power because they are cheap enough to revolutionize the energy sector in Germany. However, the interest of European Union solar panel producers is also worth considering in the World Trade Organization framework. There are also challenges for the European Union to balance conflicts between the trade and consumer manufacturing industries.

4.3. Solar Panel Dispute Resolution Between China-EU (Case Study)

In the case of energy trade disputes between the two parties, the difference in prices between Chinese and European producers is the cause of this problem. Exports of solar panel products from China sell lower costs on the EU market, European solar panel producers claim because of subsidies from the Chinese government. The price of Chinese solar modules fell dramatically from € 3 per peak watt (Wp) in 2008 to € 0.40 per Wp in 2011, after the Chinese government issued its policy, namely the introduction of the "Five-Years Solar Plan." Besides, production costs from solar panel energy also experienced a marked decline in production costs. Meanwhile, China's solar energy industry's production capacity grew tenfold, going to experience an increase in exports and contributing to a 75% drop in global prices.

After the EU decided to apply import duties on Chinese solar panel products, this became a concern for the China government. China has itself refuted the dumping and subsidies claims. Premier Li Keqiang has firmly criticized "protectionist trade initiatives." After negotiations between the two sides, a settlement about solar panel trade between the EU and China was reached in July 2013, by establishing a mutually agreed agreement. The agreement consists of a standard coast up to the end of 2015 of € 0.56 per Wp for solar panels, and an export volume limit. Besides, there is a temporary import duty on solar panels by 11.8%, which will rise to 47.6%. Owners of Chinese companies are also approved to release solar products to the EU market up to 7 gigawatts per year without paying import tariffs. Chinese solar producers register their business at a minimum price as much as 90%. According to former EU Commissioner Karel De Gucht, pricing would "stabilize the European solar panel market and reduce injuries caused to European industry by disposal practices."

Solar panel trade disputes between China and the European Union are not the only commercial disputes that the Chinese solar energy industry faces. In the United States sector, Chinese solar panel exporters and manufacturers earned a dumping margin of 165.04% in 2014. In 2015 Canada also imposed tariffs on imported Chinese solar energy. Australia has also seen pressure on the market in the price of solar panels, but no duties have been levied. Moreover, the absence of an investigation from the state party, making the issue not discussed further. Despite the agreed settlement between the EU and China in 2013, Chinese producers continue to face challenges from the European Union market. In 2015, the European Commission suggested rejecting duty-free entry to the European market for three Chinese solar panel manufacturers because it had violated the minimum sales price agreement.

In its trade quarrels, the EU has reached a peace deal with the Chinese-related dumping solar panels on the European market manufactured in China. This dispute was not over, however, as European producers saw the Treaty as a capitulation rather than a solution at the European Union General Court in Luxembourg, and a willingness to challenge it. EU Trade Commissioner Karel de Gucht said, "We are optimistic that this price initiative will stabilize the European solar panel market and eradicate injuries caused by dumping against the European industry. We have found a reasonable compromise that will create a new equilibrium on the European solar panel market at a sustainable price point", Commissioner said, adding that he intends to make this bid to obtain European Commission approval.

The European Union's stance can be clarified as the trade commissioner said that the European Commission was faced with a situation in which it was unable to recognize injuries caused by China's dumping on the European market but at the same time no longer involved in the solution. The EU sanction would lead to supply shortages in Europe, with negative effects for the downstream and consumer industries.

According to a statement by the Commissioner, the expansion of solar panels across the EU is an integral element of European policy aimed at meeting 2020 goals for renewable energy and reductions in CO2 emissions. As a result, Europe's market for solar panels has soared. It exceeds European supply technology capacity, so the EU will continue to rely on imports of solar panels, even after the harmful effects of dumping have been eliminated, and the industry has recovered. The Commissioner thinks that when the firm enters into force, European producers will see a barrier against China's dumping growing from 11.8% currently in place to 47.6% for non-participating exporters. The industry's counterpoint is that by 2013 the solar market is expected to be 10 gigawatts, The EU has necessarily supplied 70% of the Chinese government-subsidized drug market, while the remaining 30% will be shared between Europe and other producers from around the world who will compete under market conditions.

In its original anti-dumping inquiry, the European Commission found that China's dumping activity endangered the survival of the European solar industry, and a tariff of 47.6% to protect European producers should be imposed. The most likely disruption to the market causes prices to be phased out slowly at the point applied. For a moment, on 6th August, 11.8% would grow to 47.6%, but the latest deal is preventing it.

China responded to the preliminary decision to implement tariffs by launching an anti-dumping investigation on EU polysilicon and wine imports. This move, which China considers to be a tactical strategy aimed at growing disagreement between each EU Member State on the matter. In particular, France and the countries of southern Europe, which have endorsed tariffs with limited impact on Germany and the United

Kingdom, will be affected against it. All related lawsuits are likely to be dismissed as part of the mediation process. In the meantime, the EU will also start a separate inquiry into the possibility of unlawfully awarding subsidies to Chinese solar producers. And in this situation, it seems there will be further changes.

5. Conclusions and Recommendations

This case study has described the European Union is trying to promoting its approach to overcoming environmental challenges in China. There is European Union involvement in dialogue and negotiations on various issues and providing capacity-building support. The trade reforms and carbon emissions to environmental decision-making bodies have been introduced by China and is supported by the European Union, including through ongoing policy dialogue and capacity building projects.

The emission trading and environmental governance have shown relations of European Union and China more productive on environmental issues. In the energy sector, there is tension trade, especially in the case of solar making. There is a claim from the European Union industry that the solar power industry receives subsidies and disposes of solar panels on the European market at low prices. Investigation about the most significant trade dispute between the European Union and China Relations has opened by The European Commission. The imposition of a temporary charge for imports of solar panels by 11.8%, which would increase to 47.8% after two months if there were no negotiating agreements on 6th June 2013 has announced by Karel de Gucht.

The existence of an external environmental policy made by the EU towards China works in terms of helping to form environmental governance reforms in China. As explained in this case study, because China has cooperation with the European Union, now China can learn lessons and strengthened its environmental governance capacity. What needs to be noted in both cases is that the action taken is not without criticism. In making environmental decisions, sometimes the EU members state can't obey the Aarhus convention. Carbon prices in the EU will likely remain low until 2019. The two cases above illustrate the importance of third-country demand for EU policy solutions to environmental challenges. There is an apparent demand from the Chinese government, and also domestic political bureaucracy in China is an important part.

The possibility of the NDCR to win over financial stability if trade emissions continue, there will often be the introduction of a carbon tax. Improve provisions for information disclosure and public litigation to be seen by the ministry of environmental protection as a way of utilizing public concerns about environmental pollution to strengthen its role in the policymaking process. Then the EU is also not the only external actor to help promote this particular policy instrument and government agencies in China. Of course, this makes it difficult for China to negotiate the causal role played by the EU in developing Chinese policymaking but also acts as a condition that allows EU effectiveness because many actors are moving in the same direction. For example, an alternative to emissions trading is to introduce a carbon tax. However, no other country like the United States, will benefit commercially from China, applying taxes rather than an emissions trading system.

The EU has launched a climate and energy package as an increased law to achieve its targets by 2020. The solar panel industry has witnessed an increase in the EU market. On the other hand, China took the opportunity to develop solar PV

manufacturing in its coastal province. When in the EU market, solar panel products have dominated and packed manufacturing, the EU quickly launched an anti-dumping and anti-subsidy investigation on solar panels imported from China at EU manufacturing demand. Resolving disputes over solar panels can be considered successful because it avoids trade wars. Both the EU and China must be able to maintain good trade relations based on mutual benefits. However, differences in trade interests with China from member countries have divided the EU in negotiations.

Meanwhile, if there is a competition between the two, it will be healthier if the competition is under the guarantee of the WTO and other legal frameworks. Competition must be directed towards increasing productivity rather than trading price gains. Therefore, in this case, settlement through a minimum price agreement becomes one of the most reasonable ways to protect producers from further price wars.

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