

China rejects US solar tariffs as protectionism

October 11 2012, by Joe Mcdonald

(AP)—China demanded Thursday that Washington repeal steep tariffs on solar panels that Chinese producers fear will shut their equipment out of the American market.

The tariffs [upheld Wednesday](#) by the U.S. Commerce Department add to financial pressure on struggling Chinese solar panel manufacturers that are suffering heavy losses due to weak demand and a price-cutting war.

"The [United States](#) is inciting trade friction in new energy and sending a negative signal to the whole world about protectionism and obstructing the development of new [energy development](#)," Ministry of Commerce spokesman Shen Danyang said in a statement. It gave no indication whether Beijing might retaliate.

"We hope the U.S. side will correct its erroneous action with early termination of the trade remedy measures," Shen said.

The Commerce Department upheld charges of 18 percent to nearly 250 percent on Chinese solar panel producers to counter what it said was improper subsidies by Beijing to the industry. For some companies, charges are lower than preliminary tariffs announced in May.

A spokesman for one of China's biggest panel producers, Yingli [Green Energy](#) Holding Co., said tariffs of about 30 percent imposed on that company would make sales to the United States unprofitable. He said

gross profit margins in the [solar industry](#) are about 10 percent.

"A tax rate of 30 percent is the same as 200 percent. Both of them mean the door is closed for exporting to the United States," said the spokesman, Wang Shuai. "No one does business to lose money."

Yingli and other leading Chinese manufacturers including Suntech Power Holdings Co. and Trina Solar Ltd. have rejected accusations they were selling goods at improperly low prices.

Foreign competitors complain Chinese solar manufacturers get improper government support in the form of low-cost access to land, [bank loans](#) and other resources. Beijing acknowledges giving research grants and tax breaks but says those are in line with its free-trade commitments and practices by other governments.

The dispute highlights tensions over whether China's government-dominated economy should be treated as a free market. Beijing has pressed the United States and Europe to officially grant such status, which would make it harder to bring some dumping and other complaints, but none of its major trading partners has agreed.

Trina Solar said earlier that solar cells or other components affected by the duties could be replaced with components from other countries for shipments to U.S. customers.

In Yingli's case, though, Wang said all of its manufacturing is in China, which means it cannot immediately replace U.S.-bound [solar panels](#) with products made elsewhere.

The tariffs come at a critical time for Chinese solar panel manufacturers, which have reported hundreds of millions of dollars in losses this year.

The Chinese solar panel industry grew rapidly over the past decade as Germany, Spain and some other countries promoted renewable energy with subsidies and low-cost loans.

China's communist leaders declared solar power, along with such fields as biotechnology and aerospace, a "strategic emerging industry" targeted for development as part of efforts to transform China from a low-wage country of farmers and factory workers into a creator of technology.

Hundreds of Chinese companies began producing solar panels, which flooded the market and drove down prices to unprofitable levels.

Companies also face possible European trade action.

In July, a group of 25 producers of solar gear including companies from Germany, Italy and Spain filed an anti-dumping complaint with the European Union.

The latest U.S. tariffs were imposed in response to a complaint by a group of companies led by Oregon-based SolarWorld, the largest U.S. maker of silicon solar cells and panels. Some American companies that opposed the probe warned China might retaliate against U.S. suppliers.

Chinese solar equipment manufacturers warned earlier that sanctions could result in a loss of American jobs because U.S. companies are both buyers of Chinese products and suppliers of materials. They said [Chinese manufacturers](#) spend some \$2 billion a year to buy materials such as polysilicon from U.S. suppliers.

Beijing responded to the investigation by launching its own probe last November into whether U.S. government support for producers of wind, solar and other renewable energy technology is an improper trade barrier.

In August, the Commerce Ministry ruled that U.S. support for six clean energy projects violated free trade rules and called on Washington to stop but made no mention of possible penalties.

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