

# INVESTIGATION OF SOLAR PANEL CIRCUMVENTION CASE RUMOURS THROUGH ANALYSIS OF EXPORT DATA

## INTRODUCTION

In September 2012 an anti-dumping investigation was opened against Chinese photovoltaic manufacturers. Provisional duties were imposed on these products in June 2013, with final duties being imposed in December 2013. For those Chinese exporters which co-operated in the case, the European Commission accepted price undertakings setting minimum prices above which no duties would need to be paid. However, EU producers of solar panels have consistently complained that the measures are ineffective and do not provide the level of protection the findings require. These complaints included a legal challenge, though this was ultimately unsuccessful (see <http://www.tctthree.com/solar-panels-latest-developments>).

Against this background rumours have recently surfaced that the European Commission will open a circumvention case into solar panels exported from four countries: Malaysia, Taiwan, Japan and India. This could result in the highest Chinese duty of 67.9% being extended to all exporters in these countries that are not granted an exemption.

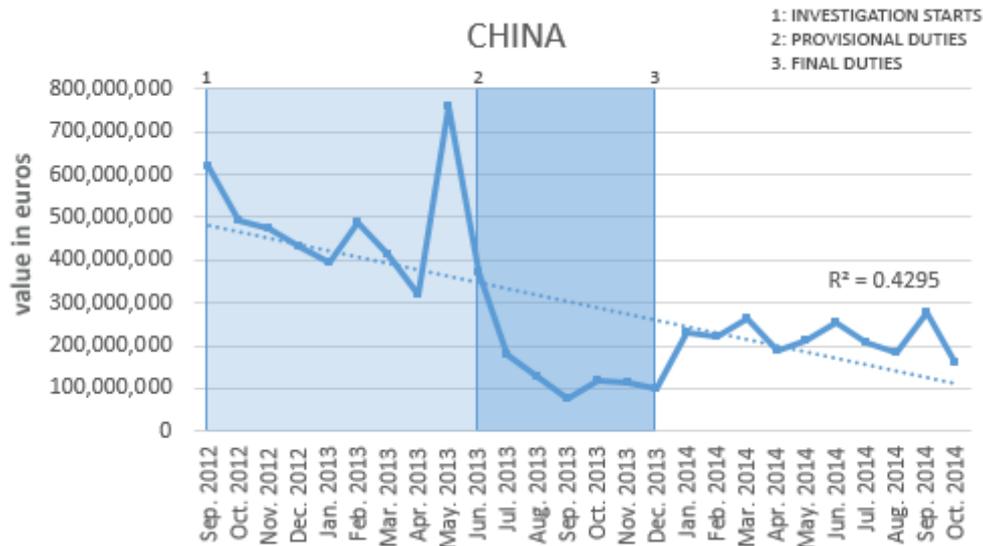
Circumvention is defined as a change in the pattern of trade between third countries and the EU or between individual companies in the country subject to measures and the EU, which stems from a practice, process or work for which there is insufficient due cause or economic justification other than the imposition of the duty.

Companies not wanting to be found to be circumventing measures must prove their innocence to the European Commission.

To assess whether the data would support a circumvention case, we analysed the import trends of all four of the possible countries following the opening of the original investigation, and compared this to trends in China's exports of the affected tariff headings. The total value in euros of all affected products imported into the EU has been totalled per month and per country, in order to give a broader picture of what is happening.

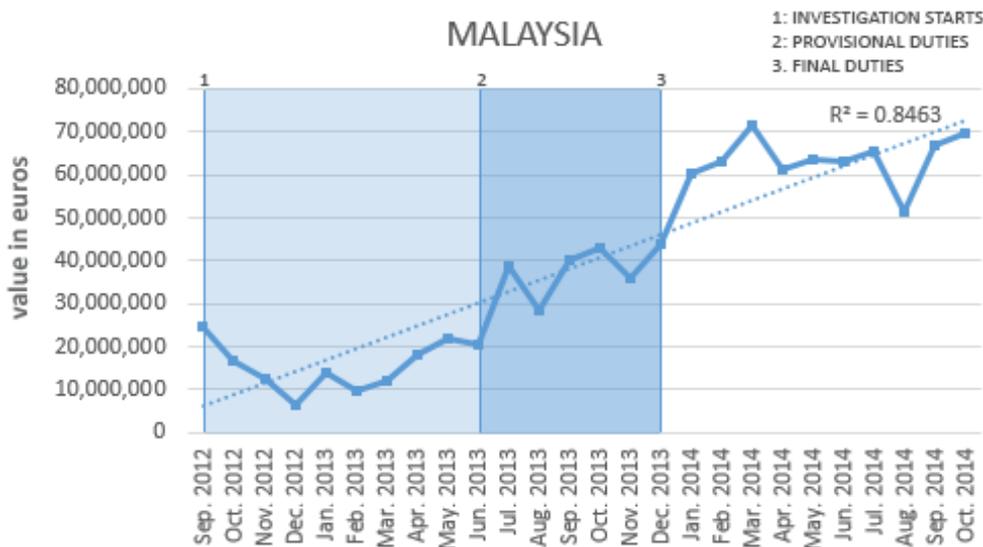
All data has been retrieved from Eurostat.

## CHINA



In China's case, a number of interesting points can be identified. First is the large peak in May 2013, a month before the provisional duties came into force, where we can assume stockpiling took place. Next is the large fall in exports once the provisional duties were imposed in June, which dropped exports from China to nearly 20% of the original value. However, once final duties were imposed in December 2013, Chinese exports increased in value once again. This is likely due to the acceptance of the price undertakings at that time, though Chinese exports still remain at about half of their pre-investigation levels. In this case, the regression line has a relatively low goodness of fit, and it is far more insightful to look at each stage of the investigation individually instead.

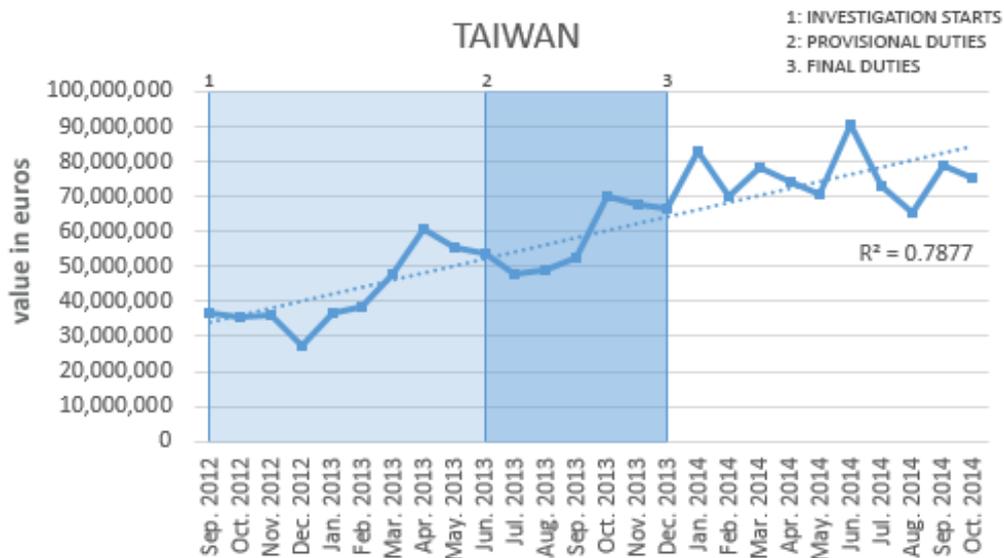
## MALAYSIA



The first thing that can be seen from the graph is the rapid increase in exports from Malaysia during the investigation period. This especially picks up once provisional duties are imposed on identical products from China. Even with the gap in the market left by the decrease in

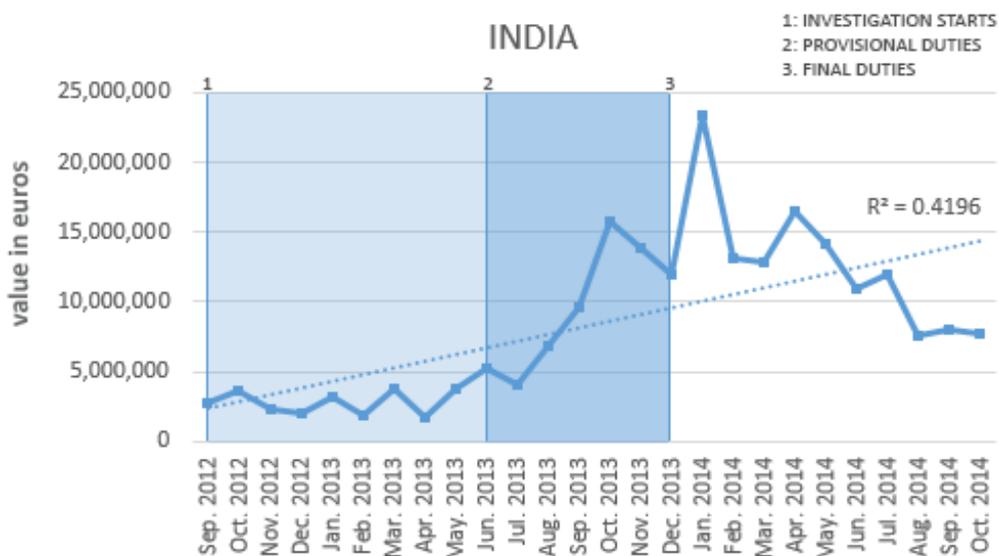
Chinese exports, it is unlikely existing Malaysian photovoltaic producers could have increased their production so quickly or by so much, suggesting that this change in trade patterns was a direct result of the imposed anti-dumping duties. The regression line shows high goodness of fit in this case, and also shows a very rapid, constant increase in exports. This makes Malaysia a very likely target for a circumvention case, as exports have increased by over 500% since the start of the original investigation.

## TAIWAN



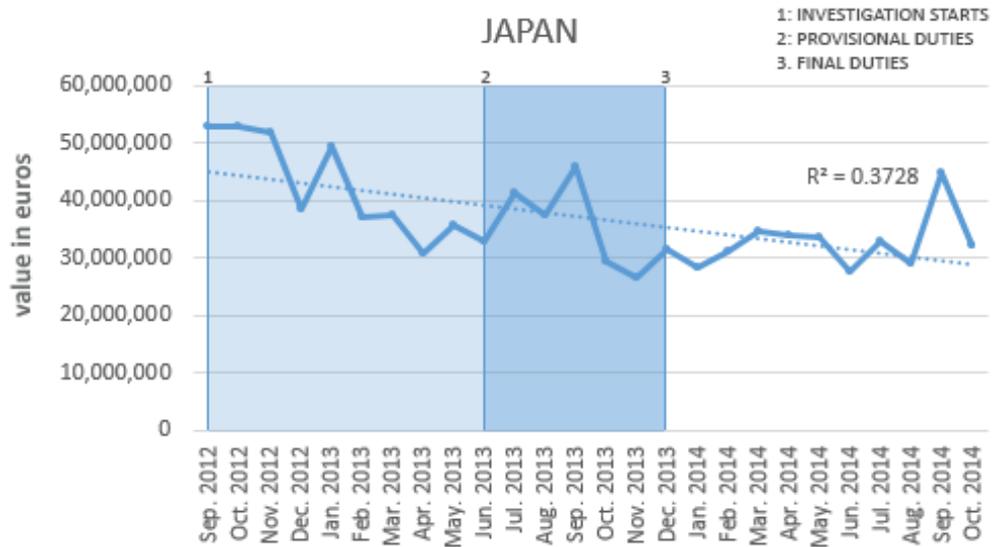
Like Malaysia, a continual increase in exports from Taiwan can be seen, though not on so large a scale. Despite starting with a higher level of exports before the Commission opened an investigation, export levels of solar panels from Taiwan were on par with exports of solar panels from Malaysia by the end of the period examined. This shows an increase of around 250% from their pre-investigation values. While this is not quite as dramatic as in Malaysia's case, we still view them as a likely target for a circumvention case.

## INDIA



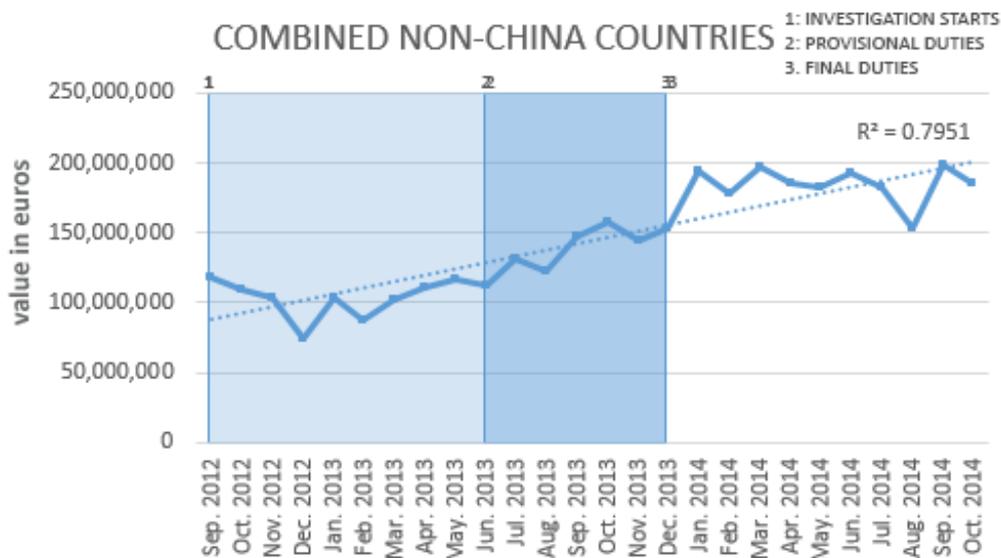
A clear rise in Indian exports can be seen after provisional duties are imposed on China, peaking at around 800% of their starting value a few months after the investigation finished and final duties are decided. Circumvention is clearly shown here, though the fact that exports from India have been steadily decreasing for the better part of a year means that it is unlikely to be investigated by the Commission. Considering the value of solar panels exported from India are a tenth of those exported from Malaysia or Taiwan, we think India is unlikely to be included as a candidate for any circumvention investigation.

## JAPAN



As Japan's exports of solar panels have been almost constantly decreasing since the beginning of the investigation period, we can almost certainly rule it out as a possible circumvention target.

## TOTAL



Combing the export value data of all four rumoured circumvention targets, we can see a steady increase in exports during the investigation period, stabilising at around twice the pre-investigation value once final duties are imposed on China. There has clearly been a shift in trade patterns following the opening of the investigation, but whether this is due to circumvention of the duties or a response to the gap in the market left by the reduction in Chinese exports is impossible to tell for certain from the data alone.

## CONCLUSION

Assuming that EU solar panel producers have petitioned the European Commission to look into possible circumvention of the Chinese duties, the export data would tend to suggest that there is prima facie evidence to support such an investigation, at least in the cases of Malaysia and Taiwan. Of course the Commission is also free to act on its own initiative should it feel it warranted.