Germany: Merkel Vows To Avoid Trade War With China

The Associated Press

BERLIN (AP) — German Chancellor Angela Merkel said Sunday she would use her country's economic clout to prevent the European Union from imposing punitive tariffs on some Chinese products to avoid a trade war.

Germany will push for "very intense talks" between the EU and China to seek a negotiated solution as swiftly as possible, the leader of Europe's biggest economy told visiting Chinese Premier Li Keqiang.

The EU Commission, the 27-nation bloc's executive arm, accuses China of pricing its solar panels and some mobile telecom devices too cheaply, thereby flooding the European market, distorting competition and hurting European manufacturers. Brussels has therefore proposed imposing an average 47 percent special duty on Chinese solar panels, and it is continuing to look into the telecommunication sector.

Li sharply criticized the EU's approach, saying through a translator that "it sends a wrong signal because we want to fight protectionism together."

"We strongly oppose this decision," he insisted, referring to the proposed solar panel tariffs. "We hope that the EU won't use protectionist trade measures for such small a cause," he said.

The EU, the world's largest economy, is China's second-biggest business partner after the U.S., with a trade volume of about 430 billion euros in 2012. The solar panel exports stand for about 7 percent of China's total exports to the EU.

The EU Commission is expected to make a decision on the anti-dumping investigation after consulting all interested parties by the end of the year.

"Germany will work for this to be resolved as quickly as possible because we don't believe (tariffs) would help us very much," said Merkel. "And that's why we should very intensely use the next six months, and Germany will do everything to ensure that the talks will really advance," she added.

Li thanked Merkel, adding that China also hopes that talks between Beijing and Brussels will be able to avoid a trade standoff and yield "an amicable solution."

Germany was the only stop in an EU member nation on Li's inaugural trip abroad, in a sign that China seeks Berlin's clout to influence the EU's at times cumbersome decision making progress. Li, who took office in March, at one point even said during the news conference with Merkel that he was aware that German cannot replace the EU Commission.

China is the world's largest producer of solar panels, exporting more than half of its output to Europe, totaling 21 billion euros in 2011.

The global solar panel market is suffering from overcapacity, which has led to stiff competition that has forced several European manufacturers out of business.

Still, Germany's powerful industrial lobby groups oppose the discussed EU anti-dumping measures against China because they fear an escalating trade war that would dent the countries' buoying business ties.

Li said the EU's decision wouldn't serve its interests and would harm China and others. "It will put the (solar) sector's development in Europe in danger, harm the interest of the European companies, the European consumers and the European industry," he said.

China rejects the EU's price-dumping allegations, but the problem is no novelty for Beijing. The U.S. last year imposed punitive tariffs on solar panel imports after finding that China's government was subsidizing companies that were flooding the U.S. market.

Following Li's arrival at Berlin's Chancellery, he and Merkel met with students from both countries before overseeing the signing of a series of economic cooperation agreements. They also held closed-door talks and were set to have a dinner at a government guest house outside the capital later Sunday.

As part of his trip, Li visited Switzerland on Friday. In Zurich, he signed China's first free-trade agreement with a major Western economy. It had been negotiated for several years. .

On Monday, he will meet other officials and business leaders in Berlin. He also is scheduled to meet Merkel's challenger in September's national elections, the Social Democrats' candidate Peer Steinbrueck.

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