

Financial Times (August 17, 2017)

[Editorial]

## Tariffs would put US solar power in the shade

*Cheap imported panels have created a vibrant industry in America*



Reality has an unpleasant tendency to be messier than economics textbooks suggest. So when a clear-cut case study for a general principle comes along, it is always welcome. The investigation of solar panel imports, now under way at the US International Trade Commission, is one of those perfect teachable moments.

**Two bankrupt manufacturers of solar panels, Suniva and SolarWorld, are calling for protection under Section 201 of the 1974 Trade Act, which allows for tariffs or other measures to be taken if imports are judged to be a “substantial cause” of “serious injury” to a US industry. At a hearing of the ITC in Washington on Tuesday, solar companies, exporting**

countries and others debated the fine points of the case, including the question of whether imports could be said to have caused the problems of US manufacturers.

Mayer Brown, a law firm representing Suniva and SolarWorld, argues that a “global surge in low-priced imports” has forced US panel manufacturers to cut production, costing thousands of “good paying, full-time jobs”. The Solar Energy Industries Association, which represents installers and project developers as well as manufacturers, contends that on the contrary, US imports of panels soared because domestic producers were unable to keep up with booming demand. The latter arguments are aimed at winning a ruling that there was no serious injury caused by imports, which would kill the case off when the ITC issues its decision, scheduled for September 22.

**Behind the legal argument, though, there is a more fundamental point: cheap imported solar panels have been an enormous benefit to the US.**

The US solar industry has grown spectacularly in recent years, nearly tripling its employment from 93,000 in 2010 to 260,000 last year. **A generous federal tax break and numerous state incentives have helped**, but a critical factor has been the plunging cost of panels. Cheap panels have enabled the creation of tens of thousands of jobs in installation, sales and project design. If tariffs and minimum selling prices are imposed on imports to protect domestic production, as Suniva and SolarWorld want, they will destroy many of those jobs.

**Chinese producers have indeed been subsidised, through cheap loans and other supports, as the aggrieved US manufacturers assert. But when those subsidies result in lower prices for customers in the US and around the world, they are the ones who are benefiting from the generosity of China’s government.** And imports from China already face steep tariffs.

If the ITC decides an injury has been caused, the case will reach the desk of President Donald Trump, making it an important early test of his willingness to back up his rhetoric on trade with action. The administration is looking at steel imports for possible restrictions, under a different piece of legislation. Action in that case could have a similar effect: helping manufacturers of the protected products, while hurting their customers. The prospect that import restrictions could damage the US solar industry, which is an increasingly serious threat to his supporters in coal country, might also appeal to Mr Trump. Arguments about solar power cutting greenhouse gas emissions will carry little weight with him.

**Purely on economic and employment grounds, however, the petition from Suniva and SolarWorld should be rejected. Trade restrictions almost always exact a cost in jobs and prosperity. Solar panels shine a bright light on this point.**