

Trump's First Major Trade Fight With China Could Be Over Solar Panels



By Keith Bradsher

SAN FRANCISCO — With President Trump vowing to get tougher on trade, troubled American makers of everything from steel tubing and aluminum foil to washing machines have lined up to ask Washington for protection from foreign rivals.

But Mr. Trump's first big international trade fight could be over solar panels.

Major manufacturers in the United States and China, as well as numerous other businesses that buy and use solar panels, are readying for a clash that could begin as soon as January. The solar panel dispute comes at a time when senior administration officials have been signaling their intention to take a much tougher trade stance toward China, where most solar panels are made.

The solar panel industry could be Mr. Trump's first test of whether his harsh language toward China will result in significant trade measures — and whether those moves would help restore American businesses. Factories in China now account for more than two-thirds of the world's production, up from a negligible share a decade ago. Faced with intense competition, more than a dozen solar companies in the United States have closed factories over the past six years.

China's push to become a major maker of solar panels has driven down global prices by close to 90 percent over the past decade, helping international efforts to curb emissions of planet-warming greenhouse gases. That has blurred the lines over the pending solar trade fight even within the United States, where American manufacturers are squaring off against American installers and users of the panels.

Chinese officials contend they are helping the world move toward cleaner energy. "Everybody needs the kinds of cheaper panels, not only in China, but also the world," said Li Junfeng, a senior Chinese economic adviser and the architect of many of China's renewable energy policies, at The New York Times's Climate Tech conference on Thursday in San Francisco.

But American manufacturers say the cheap panels have been unfairly financed by the Chinese government. Chinese manufacturers have benefited from cheap loans from government-run banks. Even some Chinese companies that have struggled with losses and had trouble making loan payments have been able to stay afloat.

Such manufacturers in China "are technically insolvent, but they still get capital," said Mark Widmar, the chief executive of First Solar, a large manufacturer based in Phoenix.

The United States has already imposed tariffs on solar panels from China over the past five years, prompting Chinese manufacturers to build vast factories in Southeast Asia. Now, the Trump administration has indicated it may raise the stakes by authorizing tariffs on all solar panel imports, including those from Southeast Asia.

Administration officials have so far allowed two solar panel companies with factories in the United States to ask Washington for tariffs on all solar panel imports.

Thanks to a complicated series of maneuvers within the United States system for evaluating trade cases, the Trump administration now has a Jan. 26 deadline to grant the companies' requests for wider tariffs.

China opposes the move, which it argues would hurt solar panel buyers. When the Chinese-owned factories in Southeast Asia are included, Chinese panel makers account for about four-fifths of global sales.

Solar panel installers, developers of utility-scale solar panel power generation projects and others connected to the industry also oppose broader tariffs. The Solar Energy Industries Association, which represents those groups, contends that the tariffs would destroy more installation jobs than they would protect or create among manufacturers.

"If my price goes up, I'm not going to win" orders, Abigail Ross Hopper, the chief executive and president of the Washington-based association, said in a telephone interview.

Yet the effects of tariffs are disputed within the industry. Solar panel makers in the United States say higher tariffs would add only modestly to the cost of projects.

“That’s still very compelling for any utility,” said Mr. Widmar, of First Solar.

Many trade experts predict the United States will impose tariffs on all solar panel imports, because Mr. Trump has expressed sympathy for industrial workers in the United States and for fossil fuels, while voicing skepticism about the use of renewable energy.

If the Trump administration decides to impose more tariffs next month, it could be the first blow in a one-two punch to China on trade, making it even more likely that Beijing might retaliate against American exports. The deadline for the administration to act on possibly imposing tariffs on washing machines from around the world, and particularly from China, comes a little more than a week later, on Feb. 3.

Mr. Li, the Chinese economic adviser, contended that China, not the United States, was the country that had proved willing to let market forces determine winners and losers in the solar panel market. China had 800 solar panel companies a decade ago and now has just 70 or 80, after allowing the rest to become insolvent. Yet China’s solar panel production has more than quintupled in the past decade because, he said, Beijing has allowed market forces to winnow the industry to the most efficient competitors.

By contrast, political support in the United States for solar panel manufacturing wilted after a single solar equipment company in California, Solyndra, collapsed in 2011 after obtaining \$535 million in Energy Department loan guarantees.

“You are a little bit worried by Solyndra; very small companies, why are you worried about them?” Mr. Li said. “Then you hurt all the users.”