

US affirms steep tariffs on China solar panels

October 11 2012, by Josh Lederman

(AP)—The Obama administration upheld steep tariffs on Chinese solar panels Wednesday, finding that improper trade practices have undermined an American solar industry that the largest U.S. manufacturer says is in the midst of collapse.

In one of the largest trade cases the U.S. has pursued against the Asian superpower, the Commerce Department said China's government is subsidizing companies that are flooding the U.S. market with low-cost products—a tactic known as "dumping." To counteract those price cuts, the U.S. government imposed tariffs ranging from 18 percent to nearly 250 percent.

For some Chinese companies, those tariffs are lower than preliminary tariffs imposed in May.

Still, another set of duties dealing with improper subsidies was increased dramatically. While the initial ruling levied anti-subsidy fees ranging from 2.9 percent to 4.7 percent, the final ruling issued Wednesday sets those fees at 14.8 percent to 16 percent.

When the two penalties are combined, most companies will face duties similar to those imposed earlier in the year.

In a blow to U.S. companies requesting the tariffs, the government declined to expand the scope of the case to cover products partially produced outside of China.

The tariffs could aggravate already strained trade relations between the U.S. and China. [Solar companies](#) in both countries are suffering from a lack of [global demand](#) for their products, even as President [Barack Obama](#) looks to renewable energy to create jobs and reduce American dependence on oil.

Scrutiny of the U.S. [solar industry](#) has been magnified by Republican indignation over Solyndra Inc., a California-based solar panel maker that won a half-billion-dollar loan from the Obama administration and then went bankrupt. Solyndra is not involved in the trade case, but it cited Chinese competition as a prime reason it flopped.

The longstanding solar panel dispute with China also has reverberations in the presidential race, where Republican [Mitt Romney](#) has both criticized Obama for subsidizing green energy sources and faulted him for a failure to stand up to China's trade and currency policies. Romney has vowed to crack down on China as part of a more assertive foreign policy in Asia and elsewhere.

The Commerce Department ruling is the penultimate step in a sweeping trade case launched in 2011. For the tariffs to stand, the U.S. International Trade Commission must declare that China's exports have materially injured the American solar industry.

A vote on that issue is set for Nov. 7, the day after Election Day. In its initial, unanimous vote in December 2011, the ITC said there was reason to believe Chinese imports were harming U.S. manufacturers, making it likely the panel will uphold that finding in its final vote.

A group of U.S. companies led by Oregon-based SolarWorld, the largest U.S. maker of silicon solar cells and panels, asked the government to penalize China, claiming unfair trade policies are delivering a one-two punch to the U.S. solar industry. First, the companies argue, China is

improperly subsidizing its own companies to prop them up. Next, Chinese manufacturers are dumping their products on the U.S. market below cost, absorbing a short-term loss in hopes of putting their U.S. competitors out of business, the companies claim.

After the Commerce Department imposed preliminary tariffs in May, U.S. manufacturers said the Chinese companies exploited a loophole by outsourcing part of the chain of production to other countries, thereby skirting the new tariffs. Commerce declined to close that loophole Wednesday by expanding the case to cover such products.

"This is an important step toward restoring competition in the U.S. marketplace, but this gap in the scope has the potential to allow some of the unfair trade practices to continue," said Tim Brightbill, the lead attorney for SolarWorld and the Coalition for American Solar Manufacturing.

Many U.S. solar panel installers oppose the tariffs and say low-cost imports are making solar technology affordable for U.S. consumers. A group of companies, including China-based Suntech Power Holdings Co., has fought the complaint, arguing that U.S. companies are blaming China for their own failures—namely, poor business decisions such as failing to adapt their products to the needs of utility companies.

"We believe that global competition is good for American solar consumers and companies," said Jigar Shah, president of the Coalition for Affordable Solar Energy. "We are all looking forward to ending this distraction and returning to our everyday focus of creating jobs and lowering renewable energy costs."

Both sides claim that a victory for their opponent will cost thousands of American jobs.

China's government has bristled at the complaint, noting that the U.S. long has pushed China to adopt green energy as a way to reduce pollution. The tariffs also threaten to escalate a trade war between the U.S. and China, which has in the past reacted to such actions by launching retaliatory complaints of its own.

More than \$3.1 billion in Chinese [solar panels](#) and cells were imported by the U.S. in 2011, the Commerce Department has said. That number doubled from 2010, a year in which China's government spent more than \$30 billion to subsidize its solar industry, U.S. energy officials said.

The U.S. has sought to promote solar, wind and other renewable energy sources as a way to boost exports and create high-paying jobs in the technology sector. The U.S. and China are two of the world's largest markets for such technologies, but weak demand in Europe and elsewhere has left solar companies struggling to find buyers. Production far outpaces demand in China, and there are signs that China is working to promote consolidation within the industry.

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