



## Is China 'Dumping' Solar Panels in the United States?

*Gary Clyde Hufbauer analyzes the lawsuit against China by US solar panel makers but argues that the energy sector enjoys subsidies across the board in every country.*

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Steve Weisman: Can the United States and American industry produce solar energy domestically and create what President Obama calls green jobs? A group of American companies are suing the Chinese for trying to take the market away. Gary Hufbauer, senior fellow here at the Peterson Institute for International Economics, what is this lawsuit about?

Gary Hufbauer: This is really a very interesting lawsuit. As everyone knows, nearly all renewable energy -- which means solar, wind, some water energy, bio-fuels -- is all subsidized by everyone who produces it. And most people who are looking at the climate change problem want renewable energies of various kinds to get cheaper relative to fossil fuel. They're still very expensive relative to fossil fuel, and solar energy in particular may be five times as expensive as ...

Steve Weisman: That much?

Gary Hufbauer: Yes, that's compared to coal-fired power plants. So it's expensive. Everybody is looking for a great new technology that will reduce the price of these renewable energies. The Chinese have, it seems to me, very likely subsidized and put a lot of money into this industry, just like we've put a lot of money into ethanol. And the companies here which are making solar panels -- they've been subsidized as well, maybe not as generously -- they don't like the competition from China.

It's a real dilemma because we want more solar panels, quickly. We want to increase this or many people want to increase this. And here this lawsuit, if it succeeds, would put on tariffs of 100 percent, possibly more, on imports of solar panels from China. Any company which is installing solar panels and hoping to feed it into the California system or whatever, is pretty unhappy about that. So, it's a real drama, which contests two big values -- one, renewable energy; two, a level playing field for trade.

Steve Weisman: Where are they suing?

Gary Hufbauer: They're suing in the Department of Commerce, which handles anti-dumping and countervailing duty cases. Countervailing duties are against subsidies. That's where they allege that the dumping or subsidies take place. It's a two-part case, though, because the US International Trade Commission, which is an independent agency, has to decide whether the US domestic industry has been injured. Of course, we know they're in trouble, so probably that's part of the case ...

Steve Weisman: Some of their injuries are self-inflicted.

Gary Hufbauer: Yes, indeed. So the International Trade Commission will sort that out. But anyway, there seems to be pain in the industry.

Steve Weisman: The Chinese have access to some good lawyers in Washington. Aren't they going to argue that our subsidies are no different from yours?

Gary Hufbauer: Yes, they might very well argue that, but that's not going to get them anywhere.

Steve Weisman: Why?

Gary Hufbauer: Because in the dumping law and in the subsidy law as written it doesn't matter if the company bringing the petition in the case – that's the US Company or the coalition of seven companies -- are subsidized to the high heavens. It could be subsidized to several hundred percent, whatever. It makes no difference. It's not a legal defense. Dirty hands, as they say, is not a defense in this game.

Steve Weisman: I didn't realize that.

Gary Hufbauer: Well, now you can go practice law.

Steve Weisman: Won't the Chinese just retaliate if this should come to be a successful case on the American side?

Gary Hufbauer: We look at a lot of Chinese trade cases, and in some instances they do mount their own countervailing duty or anti-dumping case or do something else that seems to be very closely linked to the US bringing a case. So they may do that. They don't do it every time. I don't think you can say it's a certainty.

Steve Weisman: Now, as you pointed, subsidies are a fact of life across the board, but there are other kinds of government ways to support other kinds of fossil fuels. The other irony is that the subsidies for solar power in the United States have become an issue in the political campaign.

Gary Hufbauer: Indeed, because this company got a loan guarantee, which looks pretty shady ...

Steve Weisman: Solyndra.

Gary Hufbauer: Solyndra. Yes, we are heavy duty in subsidies. Maybe we're not as efficient as the Chinese, maybe we don't give as many subsidies. All this will come out in the case. What we do in the US is still pretty opaque.

Steve Weisman: You and the Peterson Institute have taken an interest in climate change, the environment and energy in trade. Is there any chance of getting an agreement to reduce subsidies by mutual agreement?

Gary Hufbauer: The point we made is that the World Trade Organization, if it can get on its feet as a negotiating body, should really address the link between climate and trade. As I said, nearly every climate scheme of any kind that has to deal with carbon dioxide and other greenhouse gases has a pretty big element of government intervention and subsidies. This case we're seeing right now is just the first of a lot unless we get some agreement on permissible levels of subsidies, transparency and so forth. We haven't even started on that.

Steve Weisman: We're way far away from that.

Gary Hufbauer: Yes, indeed.

Steve Weisman: But also subsidies in oil and natural gas production are very hard to untangle. There are subsidies hidden and obvious in those areas, too.

Gary Hufbauer: That's the real problem. If you want to speak of ironies, here's another one. The fossil fuels subsidies in the world have been estimated at five hundred billion dollars a year. I mean, this is enormous. And it's far, far more -- probably at least ten times as much as is going to all the renewable and bio-ethanol and so forth, at least five times as much in terms of subsidies. So the big subsidies are really ...

Steve Weisman: ...still in fossil fuels?

Gary Hufbauer: Fossil fuel.

Steve Weisman: Wow.

Gary Hufbauer: In gas consumption, you name it, we subsidize it. Not necessarily the United States, but countries subsidize it.

Steve Weisman: Gary, thanks for helping to clarify it.

Gary Hufbauer: Thank you.

