



## Would Tariffs on Chinese Solar Panels Increase Global Warming?

*Gary Clyde Hufbauer discusses the tradeoffs between imposing duties on Chinese solar panels and the need to make solar energy competitive.*

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Steve Weisman: The United States Commerce Department is imposing tariffs on solar panels imported from China. This appears to be part of an escalating set of steps by the Obama administration toward China. This is Steve Weisman, with Gary Hufbauer at the Peterson Institute. Gary, is there an escalation of trade actions against China?

Gary Hufbauer: Yes, there is, when you combine this with several others, where there is more discretion than in this particular case. The administration does not have a lot of discretion [on the solar panels]. It's an anti-dumping case, countervailing duty case that's against subsidies. And the laws written so that there is not the same discretion as there would be if the administration were bringing a case to the WTO [World Trade Organization]. But having said that, yes, there are a lot of cases, and they are directed against China.

Steve Weisman: Of course, it's a political season, with at least one Republican candidate accusing the administration of being passive. What exactly happened in the solar panels case?

Gary Hufbauer: It's a very interesting case, because it represents a conflict between, I would say, two fairly deeply-held values: one is that the United States should not be importing products which are subsidized by a foreign government, or which are sold in the United States at below cost to production abroad, or much lower than the price abroad. So those are old laws, but they have been affirmed and reaffirmed by Congress over decades.

However, we now have a new environmental mandate, and the truth of the matter is that importing the solar panels is only a fraction of the cost of putting solar energy to work. And the problem is that solar energy is still more expensive than coal-fired energy. And another problem is that Congress really doesn't want to subsidize renewable energy, including solar, as much in the future as they have in the past.

So depriving the US solar industry—meaning the firms which deploy the panels from these inexpensive and well-made Chinese [manufacturers]—will slow down the installation of renewable energy. It's quite a tension.

Steve Weisman: You're saying that the imported Chinese solar panels have made the solar energy more competitive against polluting or global warming inducing energy sources.

Gary Hufbauer: Absolutely.

Steve Weisman: And so the industry finds that it needs these panels, maybe to sell their energy.

Gary Hufbauer: Absolutely. And firms have said they are going to slow down installation a lot, especially with credits expiring, and so forth, without the Chinese panels.

Steve Weisman: Why can't the most logical step be taken, which is to reach an agreement to reduce or eliminate subsidies on both sides in the spirit of the World Trade Organization?

Gary Hufbauer: That's absolutely true. But again, it's a bigger conundrum, because a lot of the green projects, green energy especially, do not compete with oil or coal, or even with natural gas. And so if you think that global warming is quite a danger ahead, which many people do, subsidies seem appropriate. Or alternatively, taxing coal or taxing oil or taxing natural gas.

So there is a pretty fundamental issue here between the anti-subsidy view, which I generally hold to, and the problems of this particular set of technologies, which is designed to avoid the bigger problem of global warming.

Steve Weisman: Do you come down on one side or another?

Gary Hufbauer: I can't decide, frankly. I'm torn, like many people. But I do think we ought to be looking at more creative solutions. Maybe we should really be putting money into research, so we can be as good as producing solar panels as the Chinese.

Steve Weisman: Without subsidies.

Gary Hufbauer: Without subsidies, yes.

Steve Weisman: Thank you, Gary.

Gary Hufbauer: Thank you.

