



A Misguided Fix on Solar Panels?

Gary Clyde Hufbauer says that a reported US-EU-China accord to raise prices of solar panels will harm consumers and the solar energy industry.

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Steven Weisman: A running dispute between the United States and China about solar panels appears headed toward a resolution, but that may not be such a good thing. This is Steve Weisman with Gary Hufbauer at the Peterson Institute for International Economics to discuss the latest developments, at least as reported in the news media.

Gary, the United States has accused China of subsidizing solar panels as exports. First, give me background about the nature of that dispute and then we'll talk about the reports of its being resolved in a way that may not be so good.

Gary Hufbauer: Sure. The U.S. solar panel industry argued that Chinese panels were coming into the United States too cheap. They were subsidized by the Chinese government. They were sold at bargain prices so they were also dumped. The U.S. Commerce Department chewed over this case and responded by imposing duties of about 30 percent on imported solar panels. And incidentally, the European Union chewed over the same stuff and they imposed duties of about 50 percent on imported solar panels into Europe. So that was the background of the case and that's where it stood until these leaks were floated today on some kind of fix or resolution of the two disputes.

Steven Weisman: What is your understanding of that fix?

Gary Hufbauer: Well, the fix is to create cartels. It really echoes from the past, from the Reagan administration creating cartels in semiconductors and autos. We've got the same thing here. What they're going to do is ask the Chinese, according to the leaks, to raise their prices on solar panels so that anybody who wants renewable energy can pay more here or in Europe and then the U.S. government and the European Union will rescind their duties. So it will put more money in the pockets of the Chinese companies and it will make solar panels more expensive to anybody who wants to install them here. I mean, as a policy to slow down renewable energy, this is great.

Steven Weisman: But it is a dilemma from the U.S. government's point of view about whether or not to assist the U.S. manufacturers of solar panels. After all, one of the cornerstones of President Obama's economic policy is to create so-called green jobs in the United States, which would include domestic manufacturers of renewable energy. That sounds great, but if it raises the cost, as you suggest, of these modes of energy, then they won't be able to compete with fossil fuels.

Gary Hufbauer: That's right. I mean, we've had this period when solar panel prices were dropping [in price] and getting closer to being competitive with coal, not quite there, but a lot closer than they were a decade ago, and this is a big reversal. And if the administration was so in love

with U.S. produced solar panels, it could have taken some of that money it used for other purposes and just said, “Okay, if you use a U.S. solar panel, we’ll subsidize the price by 50 percent, or if that isn’t enough 80 percent or something.”

Steven Weisman: Would that have been OK under trade laws?

Gary Hufbauer: Yes, that would have been okay; we could do that. We’re not exporting the panels.

Steven Weisman: I see.

Gary Hufbauer: Because we can’t seem to compete with the Chinese. That would have been a better policy from the standpoint of both the environment and trade.

Steven Weisman: That would have been attacked in Congress as picking winners and losers or subsidizing energy like the Solyndra thing.

Gary Hufbauer: Yes, it would have been. Well, Solyndra was a completely different kind of startup type of thing. Instead of taking established technology, they wanted to grow some of their own. But they could have done this, what I just said, subsidized users of solar panels rather than giving all of the money to Solyndra, but they didn’t. And so now, they’re going in for this policy, which is really a step backwards.

Steven Weisman: Why would China accept this?

Gary Hufbauer: The Chinese would be delighted. First of all, they don’t have to pay the duties, which is money to the U.S. Treasury or the European fiscal pocket, and they get higher prices. So, hey, money in the pocket. It is just like what we did for the Japanese auto companies and Japanese semiconductor companies 30 years ago.

Steven Weisman: In those cases, did we insist that they raise their prices?

Gary Hufbauer: We insisted, oh yes.

Steven Weisman: Or were there quotas?

Gary Hufbauer: Absolutely. We put on quotas, which were designed to help them raise prices and that’s exactly what they did.

Steven Weisman: So the one party that gets disadvantaged here is the American consumer and the cause of expanding solar energy to compete with polluting and greenhouse gas energy?

Gary Hufbauer: Absolutely, and the Chinese companies will cry all the way to the bank.

Steven Weisman: OK. Gary, thanks very much.

Gary Hufbauer: Thank you.

