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U.S. Solar Panel Makers Say China Violated Trade Rules

By KEITH BRADSHER

Seven American makers of solar panels filed a broad trade case in Washington against the Chinese solar industry on Wednesday, accusing it of using billions of dollars in government subsidies to help gain sales in the American market.

The companies also accused China of dumping solar panels in the United States for less than it costs to manufacture and ship them.

The trade case, filed at the Commerce Department, seeks tariffs of more than 100 percent of the wholesale price of solar panels from China, which shipped \$1.6 billion of the panels to the United States in the first eight months of this year.

The filing, which the Commerce Department must review under federal rules, is certain to be controversial. For one thing, if successful, it would drive up the price of [solar energy](#) in the name of trying to breathe life into a flagging American industry. High costs have already kept solar power from becoming more than a niche energy source in the United States.

The case also coincides with criticism by Congressional Republicans of the Obama administration's efforts to support American clean energy companies. Republicans argue that federal loan guarantees of

more than a half-billion dollars to the now-bankrupt solar company Solyndra show the folly of the administration's efforts to guide industrial policy in that field.

The filing might also add fuel to the anti-China sentiments that are running high in some Washington corridors and have started to seep into the presidential campaign.

Chinese commerce officials had no immediate comment about Wednesday's solar panel filing, but have vehemently opposed such trade cases. A Chinese solar company manager, speaking on condition of anonymity, said in a telephone interview that in any trade case filed by the American industry, "We would be well prepared and are confident we could defend it."

In August, Solyndra and two other American solar energy companies filed for bankruptcy protection, citing the plunging prices of solar technology from China. Many of the surviving companies, meanwhile, have been laying off workers and closing factories, or setting up shop in China.

Two Democratic senators on Wednesday joined the news conference in Washington announcing the trade case, which is being led by an Oregon solar panel maker, SolarWorld Industries America.

"American solar operations should be rapidly expanding to keep pace with the skyrocketing demand for these products," said Senator Ron Wyden, Democrat of Oregon. "But that is not what has been happening," Mr. Wyden said. "There seems to be one primary explanation for this; that is, that China is cheating."

He was joined by his Oregon colleague Senator Jeff Merkley, also a Democrat, who said China was engaging in "rogue practices."

Whatever the partisan positioning, though, the trade case will procedurally begin above the political fray. It will follow a quasi-judicial path at the Commerce Department and a related American agency, the International Trade Commission, that is intended to operate without partisan influence.

Other recent industry cases against China that have followed this process include one filed in late

March, involving galvanized steel wire. The most recently completed case against China, in late May, resulted in tariffs of about 33 percent levied against certain types of imported aluminum products.

The White House on Wednesday declined to comment on the solar trade filing. But President Obama recently appeared to support the American solar industry's concerns. In a White House [news conference on Oct. 6](#) he said: "Even if the technology was developed in the United States, they end up going to China because the Chinese government will say, 'We're going to help you get started, we'll help you scale up, we'll give you low-interest loans or no-interest loans, we will give siting, we will do whatever it takes for you to get started here.' "

United States policy toward China provoked a recent back-and-forth between Mr. Obama's staff and Mitt Romney, whom many Democrats expect to be the Republican presidential nominee. Mr. Romney, talking tough in a Republican debate last week, said the United States had been "run over by China" for 20 years and "you have to have a president that will take action."

In response, Mr. Obama's senior campaign strategist, David Axelrod, countered that Mr. Romney was once again flip-flopping, having criticized Mr. Obama in the past as [protectionist](#) for mounting a trade case against China on behalf of American tire producers.

Wednesday's filing could prove too late to save the American solar panel industry. China already accounts for three-fifths of the world's solar panel production, giving it enormous economies of scale.

China exports 95 percent of its production, much of it to the United States, which has helped push wholesale solar panel prices down from \$3.30 a watt of capacity in 2008 to \$1.80 by last January and now to \$1.20. A typical solar panel might have a capacity of 230 watts.

The trade case seeks tariffs "well in excess of 100 percent" on the wholesale price of Chinese solar panels on arrival at American docks, as punishment for dumping goods. Including installation, the American solar power market is worth about \$6 billion a year. So far, though, solar power generates only about one-tenth of 1 percent of the United States' electricity because it is still more expensive than

fossil fuels. Any price increase in the technology — particularly an effective doubling of the price of Chinese imports through tariffs — is not likely to improve that ratio.

SolarWorld Industries America, the largest maker of conventional solar panels in the United States, made the decision in late spring to assemble a coalition for a case against China, even before Solyndra's difficulties became widely known, according to Gordon Brinser, SolarWorld's president.

Significantly, the other six companies that joined the case have withheld their names, as they are entitled to do under Commerce Department rules. Many companies fear that the Chinese government is ready to retaliate against any business that challenges its policies.

SolarWorld Industries America, based in Hillsboro, Ore., is a subsidiary of SolarWorld, a German company. The American subsidiaries of foreign companies are allowed to file antidumping and antisubsidy cases if they produce goods in the United States. Solyndra is not taking part because it does not manufacture the traditional kind of panels, so-called blue solar panels, covered by the case.

“This had nothing to do with any input from either side of the aisle” in Congress, nor was it influenced by the Obama administration, Mr. Brinser added. SolarWorld might have acted sooner, he said, except that the Obama administration announced a year ago that it would investigate whether China's clean energy policies violated international trade rules. But so far the administration has taken no action on solar power beyond alerting the World Trade Organization to Chinese subsidies.

SolarWorld said it was representing a newly formed trade association, the Coalition for American Solar Manufacturing. An existing trade group, Solar Energy Industries Association, is deeply split over trade actions against China, because it includes American subsidiaries of Chinese solar manufacturers and American companies that sell raw materials and factory equipment to Chinese makers of solar panels.

One of those American units, Suntech Power, which is owned by Suntech, a leading Chinese company in the field, said on Wednesday that it opposed the trade filing. That could be a big blow to the company, if successful. Suntech ships solar cells from China to the United States. where they are bolted

together in Arizona for final delivery.

“The U.S. is a major contributor to the fast-growing global solar industry,” said Andrew Beebe, Suntech’s chief commercial officer. “Protectionism would not only put thousands of jobs at risk, but it would inhibit solar technology’s ability to compete against traditional forms of electricity generation,” he said.

The trade case contends that China has helped its solar panel industry by providing the equivalent of billions of dollars in subsidies in the form of deeply discounted loans, land, electricity, water and raw materials, as well as cash grants and tax breaks.

Many American companies also receive subsidies from federal, state and local programs — as in the instance of Solyndra’s \$528 million in federal loan guarantees. And Mr. Brinser said that SolarWorld was in the process of obtaining \$4 million in research assistance from the federal government. An Energy Department report in July said that federal subsidies for solar power totaled \$1.134 billion in the 2010 fiscal year, up from \$179 million in 2009.

But because few American companies export 95 percent of their production, they are less likely to run afoul of trade rules against export subsidies.

Matthew L. Wald, Jackie Calmes and Eric Lipton contributed reporting.



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