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“U.S. Imposes Steep Tariffs on Chinese Solar Panels”

Cardwell, Diane. "U.S. Imposes Steep Tariffs on Chinese Solar Panels." The New York Times. The New York Times, 16 Dec. 2014. Web. 16 Sept. 2015.

Link: <http://www.nytimes.com/2014/12/17/business/energy-environment/-us-imposes-steep-tariffs-on-chinese-solar-panels.html>

Summary:

In December 2014, the United States levied tariffs and duties against China and Taiwan on solar equipment, such as solar panels, that were being exported to and sold in the U.S. The Commerce Department announced anti-dumping subsidies of 26.71% to 78.42% on imports of most solar panels made in China, and rates of 11.45% to 27.55% on imports of solar cells made in Taiwan.¹ The reason for the tariffs is that China and Taiwan were selling products below manufacturing cost. These products were being subsidized and propped up by government subsidies. U.S. producers of similar equipment were suffering because they could not sell equipment that cheap. While it sounds like a no-brainer to levy tariffs and a home run for the solar industry, there was actually a divide. The lower cost panels were great for customers, project developers, and installers of the equipment. However, they were a killer to American solar manufacturing businesses. On one hand they created jobs through installations, but on the other they eliminated manufacturing jobs. The U.S. and China continue to negotiate, but the real winner seems to be Malaysia. They are the second largest exporter of solar panels to U.S. after China (lots of foreign investment in Malaysia because of low costs and highly skilled labor force).

Reflection

From the book:

Through my readings in the text, this article touches on many topics within it. My first impression is that this is not free trade, and not good for a market economy. Free trade is when government does not attempt to restrict what its citizens can buy from or sell to another country. However, it is not market in that what China was selling did not represent the true cost of the product. The solar panels were subsidized by the Chinese government, so they could afford to sell them at a price lower than the manufacturing cost. By lowering production costs, subsidies help domestic producers in two ways: (1) competing against foreign imports and (2) gaining export markets.² This was the exact case with the Chinese solar panels. By receiving subsidies, the producers could far and away compete against foreign imports and gained traction in export markets, like the U.S.

My thoughts:

I found it surprising the winners and losers that the text points out when it comes to tariffs. They mentioned the winners as the government and domestic producers. However, they listed the losers as the consumers. Government wins because they get extra revenue through the tariffs. Domestic producers gain because it lessens foreign competition. Consumers lose because they pay more for the product.

This article was also a great real world example of dumping and anti-dumping policies as the book describes. Dumping is defined as selling goods in a foreign market at below their costs of production or as selling goods in a foreign market at below their “fair” market value.³

I did find it ironic that after reading about how protecting the environment is an important policy for nations and with the U.S. EPA just releasing its latest version of the Clean Power Plan, that the U.S. would impose tariffs that would limit the amount of renewable energy installed in America.

Discussion:

If you had to make the decision on whether to impose tariffs on imported Chinese solar panels or not, knowing that either domestic producers or domestic consumers will be harmed by it, what would you do?

Resources:

¹ Cardwell, Diane. "U.S. Imposes Steep Tariffs on Chinese Solar Panels." *The New York Times*. *The New York Times*, 16 Dec. 2014. Web. 16 Sept. 2015.

^{2,3}, Hill, Charles W. L. *International business: competing in the global marketplace*/Charles W. L. Hill.—9th ed. pgs. 216,220



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