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BUSINESS DAY

To Protect U.S. Solar Manufacturing, Trade Body Recommends Limits on Imports

By ANA SWANSON OCT. 31, 2017

Trade officials recommended on Tuesday that the United States impose restrictions on solar power equipment purchased from abroad, including tariffs of up to 35 percent, setting the stage for one of President Trump's first major trade decisions.

The trade case was championed by American solar producers but fought by big buyers of solar panels, like utility companies and home installers, that could be jolted by higher prices if tariffs are imposed.

Four officials from the United States International Trade Commission, an independent federal agency that governs trade, announced a range of recommendations Tuesday aimed at protecting domestic makers of solar equipment from unfairly priced imports, especially from China. Those included limiting the imports of certain solar components and imposing tariffs of 10 percent to 35 percent on certain products.

Those recommendations will be sent to the president by Nov. 13; he will have 60 days to accept or reject these ideas as he determines the ultimate course of action.

The decision comes as Mr. Trump is preparing to travel to China next week to meet with Chinese officials on a range of security and trade issues. Solar may be just one of many industries under discussion, including oil and gas, automobiles and finance.

Two companies, Suniva and SolarWorld, brought a solar case to the trade commission earlier this year, contending they were forced into bankruptcy as a result of a flood of subsidized imports from China. The companies said imports of photovoltaic cells and modules that are ultimately made into solar panels had driven them and other American companies out of business.

Suniva called the International Trade Commission's recommendations "disappointing" in a statement, saying they were not strict enough. It called on Mr. Trump to implement more stringent restrictions "necessary to save American manufacturing."

The Solar Energy Industries Association, a trade group that has fought any tariffs or barriers to imports, said in a statement Tuesday that the commissioners had taken a thoughtful approach and did not recommend "anything close to what the petitioners asked for." But it emphasized that proposed tariffs would be intensely harmful to the industry.

The case is unique because it relies on a rarely used section of federal trade law, known as Section 201 or a "global safeguard investigation," which gives the president broad authority to impose tariffs or other restrictions to help protect a domestic industry.

The prospect of such restrictions has set off a fierce backlash from industries and users of solar power, who argue that such measures would raise prices throughout the supply chain and ultimately cost more American jobs than they would save. They argue that cheaper solar products from China have actually been a boon to their businesses and accelerated the adoption of solar energy in the United States, where it now powers millions of American homes and businesses.

Workers who install solar power projects, utilities who purchase the power and major commercial users of solar power, like retailers, could all be damaged by such

restrictions, said Frank Maisano, a spokesman for the Energy Trade Action Coalition, which represents those groups.

"You can play with the numbers and tweak things, but the bottom line is it's going to put those groups at risk," Mr. Maisano said.

The case will also be a test of the president's willingness to impose the kind of powerful trade barriers that he has frequently threatened. Mr. Trump repeatedly talked on the campaign trail about imposing sweeping tariffs on products from China, Mexico and elsewhere, a tough stance that spurred political support among Americans frustrated with the economy.

But since Mr. Trump came into office, powerful business lobbies have pushed back on that tough approach, arguing that tariffs benefit a narrow slice of industry at the expense of other companies and consumers of those products, who have to pay higher costs. Other proposed trade policies involving tariffs, including measures on imported steel and aluminum, appear to have stalled under such pressure.

The recommendations announced by the four members of the International Trade Commission ranged significantly in the impact they would have on the industry.

The most moderate proposal, made by commissioner Meredith M. Broadbent, would restrict imports of cells, modules and other photovoltaic products to 8.9 gigawatts in the first year — a level she said was consistent with the level of imports in 2016. That level would increase by 1.4 gigawatts each subsequent year, effectively preventing a surge in imports, but not significantly altering the current market.

Ms. Broadbent also recommended auctioning licenses to import these products, and reinvesting the resulting funds in the domestic solar industry.

The other three commissioners made far more stringent recommendations. David S. Johanson, vice chairman of the International Trade Commission, and Irving A. Williamson, a commissioner, jointly recommended a 30 percent tariff on imports of solar cells in excess of 1 gigawatt, as well as a 30 percent tariff on modules. Each penalty would be gradually lowered in the next few years.

Rhonda K. Schmidtlein, the commission's chair, recommended a tariff of 10 percent on the first 0.5 gigawatts of cells imported, and a 30 percent tariff on cells exceeding that volume. She also recommended a 35 percent tariff on modules. The barriers would be gradually reduced over the next four years.

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