

## **Trump move to tax some imports creates its own risks for US**

Paul Wiseman and David Koenig

February 4, 2018

President 's move Tuesday to tax imported solar cells and washing machines is meant to make good on his vow to reverse decades of U.S. support for free trade and to protect American jobs from foreign competition.

But the tariffs – already denounced by China, Germany and Mexico – are likely to heighten tensions between the United States and its trade partners, slow the U.S. solar-installation business and raise prices for American consumers. And even touchier trade cases lie ahead, involving China's overproduction of steel and aluminum and its theft of trade secrets, with consequences for American industry and workers.

“My administration is committed to defending American companies, and they've been very badly hurt from harmful import surges that threaten the livelihood of their workers,” said as he signed the tariffs. “The United States will not be taken advantage of anymore.”

had campaigned on the argument that foreign nations had long outmaneuvered the United States at the negotiating table and had unfairly subsidized their own industries at the expense of American jobs. He pledged to return manufacturing jobs to America by killing or renegotiating trade deals and cracking down on such countries as China and Mexico that sell more to the United States than they buy from it.

Almost as soon as he took office, abandoned an Asia-Pacific trade pact negotiated by the Obama administration. And 's trade team is engaged in a contentious effort to rewrite the 24-year-old North American Free Trade Agreement with Canada and Mexico.

But until Tuesday, the administration had not imposed major tariffs on imported goods. It is now slapping an immediate tariff of 30 percent on most imported solar modules; the rate will gradually phase out in four years. For large residential washing machines, tariffs will start at up to 50 percent and phase out after three years.

The White House is dusting off a trade weapon not used since President George W. Bush imposed tariffs on imported steel in 2002. The Trade Act of 1974 allows a president to temporarily impose tariffs or other trade barriers on imports that are deemed to damage U.S. industries.

The solar case emerged from a complaint by two U.S.-based companies that manufactured solar cells, the building blocks of solar panels: Suniva Inc., the Georgia-based subsidiary of a Chinese

firm, which declared bankruptcy in April; and SolarWorld Americas, the U.S. subsidiary of a German company.

The two companies argued that they had been crushed by an influx of cheap imported solar cells and modules, mostly produced by Chinese companies. China's share of global solar-cell production shot up from 7 percent in 2005 to nearly 70 percent last year. As prices plunged, nearly 30 U.S. plants closed over the past five years.

In 2012, the Commerce Department imposed duties on Chinese solar-cell imports after ruling that Beijing had unfairly subsidized its producers. Chinese companies avoided the duties, the United States says, by moving production to Taiwan and eventually to Malaysia, Singapore, Germany and South Korea.

Though U.S. solar-cell manufacturers have suffered from cheaper imports, U.S. companies that install solar panels have been booming, thanks to the tumbling prices. Installations have jumped tenfold since 2010. In 2016, solar became the top source of new U.S. electricity-generating capacity. But solar installation companies may now have to eliminate jobs.

Abigail Ross Hopper, president of the Solar Energy Industries Association, predicts that the tariffs will wipe out 23,000 jobs and mean that 1.2 million homes won't be outfitted with solar power.

"They're significant numbers if you think about employment, and they're certainly significant numbers if you think about investment," she says.

Joseph Osha, an energy analyst with JMP Securities, says he doubts the new tariffs will raise solar prices enough to revive U.S. manufacturing. And he thinks China may not bother to retaliate with trade sanctions of their own.

"This is not enough to allow any manufacturing to take root in the U.S.," Osha says. "So I think (the Chinese) looked at it and said, 'Whatever.'"

The washing-machine case dates back to a 2011 complaint by Whirlpool, which charged that South Korean competitors LG and Samsung were dumping low-priced machines in the U.S. market. To avoid duties imposed by the Commerce Department, the companies shifted production, first to China and then to Thailand and Vietnam.

Sen. Sherrod Brown, D-Ohio, hailed the new tariffs.

"This is welcome news for the thousands of Whirlpool workers in Clyde, Ohio, whose jobs have been threatened by a surge of cheap washers," he said. "These tariffs will help level the playing field, and show anyone who tries to cheat our trade laws that they won't get away with it."

But critics warned that the tariffs will drive up washing-machine prices.

"Tariffs are taxes on families," said U.S. Sen. Ben Sasse, R-Nebraska. "Moms and dads shopping on a budget for a new washing machine will pay for this – not big companies."

Tired of the wrangling, the South Korean companies announced plans last year to build plants in the United States – Samsung in Newberry, South Carolina, and LG in Clarksville, Tennessee.

Dan Ikenson, director of the libertarian Cato Institute's Center for Trade Policy, says the solar and washing-machine tariffs by themselves are unlikely to ignite a broader trade war because similar cases have been handled through the World Trade Organization, which rules on trade disputes.

Ikenson is more worried about several other trade cases the Trump administration is pursuing. The Trump administration is expected to announce results in coming weeks of its investigation into whether Beijing improperly pressures foreign companies to hand over their technology. Beijing has warned that it will "resolutely safeguard" its interests if Washington acts.

The U.S. also is weighing whether to slap tariffs on aluminum and steel imports by arguing that they pose a threat to national security. If the United States taxes imports on national security grounds, other countries could do the same, Ikenson says. The WTO wouldn't intervene, he says, because it tends to let countries determine their own national security interests.

Protectionism is already rising around the world, notes Gary Hufbauer, a senior fellow at the Peterson Institute for International Economics. "The fact that offers an open door for any industry that wants protection from imports fuels this process ... What we can expect is not exactly a trade war, but lots of trade skirmishes."