

Experts agree: Trump's solar, washer tariffs are a lose-lose strategy

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The new tariffs on imported solar cells and washing machines signed by US President Donald Trump last Monday are the latest reflection of a protectionist and lose-lose mindset.

It is a loss for China and other related countries from Asia to Europe, but also for the United States, US workers and the whole green renewable industry, which stands to lose greatly from the decision.

That's according to the US solar energy industry, US lawmakers and top US trade experts.

Leaders and members of the Solar Energy Industries Association (SEIA), a US national trade association, immediately denounced the decision that they say will cause "the loss of roughly 23,000 American jobs this year", including many in manufacturing, and result in the delay or cancellation of billions of dollars in solar investment.

US lawmakers such as John McCain, Lloyd Smucker and Ben Sasse, all Republicans, have come out calling the tariff decision "misguided" and "protectionist tariffs nothing more than a tax on consumers".

Mary Lovely, a visiting fellow at the Peterson Institute for International Economics and a professor of economics at Syracuse University, argued on Friday that Trump's tariffs on solar cells and modules don't protect American interests as described by US Trade Representative Robert Lighthizer.

"In fact, few Americans will 'win' from the administration's move. Not only will tariffs raise the price of solar technology in the United States, jeopardizing 23,000 jobs in solar installations, marketing, and development, they also will impede growing segments of US solar manufacturing reliant on export markets," Lovely wrote in an article on Peterson Institute website.

She quoted Thomas Prusa, an international trade expert at Rutgers University and a former consultant to the industry, as saying that the small scale and dated technology of the two petitioners are no match for newer and much larger operations in Asia, adding that the protection offered under the tariffs of Section 201 of the US Trade Act of 1974 is unlikely to induce long-term investment in a new American manufacturing facilities.

Lovely also argued that unilateral tariffs, such as in the solar cell case, are not an effective way to bring the Chinese to the negotiating table. Instead, such an approach invites collateral damage to other US interests.

She cited the 2012 US imposition of countervailing and antidumping duties on imports of solar cells and modules and China retaliated with its own unfair trade investigation into US exports of polysilicon, the raw material used in manufacturing photovoltaic solar cells, causing the US industry to shrink greatly. It's "hardly a win for American workers", Lovely wrote.

While some in the US have applauded Trump's tariffs decisions, Lovely believes that such rejoicing will be short-lived because current policies are short-sighted. "Over the long term, tariffs are unlikely to effectively defend American industry," she said.

"While large and sophisticated, the US market accounts for a smaller share of global sales each year. Higher import taxes hurt American consumers and downstream businesses and, by making innovation less imperative, reduce long-term competitiveness in the domestic industries they aim to protect," she added.

Chad Bown, a senior fellow at the Peterson Institute, argued that Trump's solar and washer tariffs may have now opened the floodgates of protectionism.

"This is a pivotal moment for US trade relationships," he said in a Q&A with the Washington Post on Thursday.

"Trump's actions could result in a tsunami of demands for protection against imports of hundreds of other products. Trade barriers on solar panels and washers also would probably lead to costs for the US economy, a slowing of efforts at climate mitigation and retaliation by trading partners," Bown said.

According to Bown, as with any new US trade barrier, foreign retaliation could arise that would hurt unwitting US exporting companies and their workers. This could lead to further tit-for-tat actions and even a trade war.

Concerns over the Trump administration's protectionist mindset are nothing new. Scott Lincicome, an adjunct scholar at the Cato Institute and an international trade attorney, wrote an analysis last August digging into the long history of US protectionist failures.

Lincicome said the recent rise in US economic nationalism has accompanied the view that past restrictions on foreign competition were successful in achieving stated policy objectives - decreased imports, increased jobs, industrial revival, an opening of foreign markets, and economic prosperity more broadly.

"Politicians and pundits use such assertions to justify new nationalist economic proposals, but they ignore a vast repository of academic analyses and contemporaneous reporting that show that American trade protectionism - even in the periods most often cited as 'successes' - not only has imposed immense economic costs on American consumers and the broader economy, but also has failed to achieve its primary policy aims and fostered political dysfunction along the way," he said.