

SolarWorld: Was Chinese Competition Unfair in US Markets for Solar Panels?

Teaching Note

I use this case to illustrate the causes and effects of the use of anti-discriminatory trade policy to protect domestic producers. Most students come to this class with an understanding of commercial policy as represented by tariffs and quotas implemented either within our multilateral agreements through the WTO or through our bilateral free-trade agreements. They are generally not familiar with the use of temporary trade barriers to counter discriminatory trade practices observed in other countries. These practices include “dumping” by firms and “export subsidies” offered by governments, and the temporary trade barriers are called “anti-dumping duties” and “countervailing duties” respectively. I also include the “safeguards” duties levied by the President of the US to deter dangerously large inflows of imports in specific sectors. The case provides the necessary introduction to these tariffs as well as references to works that discuss the tariffs more completely.

This case usually frames a period of three or four class periods on the use of commercial policy. The initial day includes discussion of the rationale for temporary trade barriers. There are then two or three class periods organized around the welfare effects of trade policy, with special attention to its impact when the policy is temporary. During the last class we take the role of the US Trade Representative to determine whether the US government should impose countervailing duties and anti-dumping duties in 2011.

To prepare for this final discussion, I divided the class into two groups and ask it to work on one or two questions prior to the class:

1. Is there evidence of unfair trade practice (dumping, export subsidies) on the part of the Chinese exporters or Chinese government?
2. If there is unfair trade practice, does this cause injury to US producers?

The students present their reasoning and then debate whether their conclusions justify introducing anti-dumping duties and countervailing duties on the Chinese solar-panel imports.

I include a table of calculated anti-dumping duties and export subsidies from the US Commerce Department ruling just after the final page of the case. You may want to remove that from the case as distributed initially to the students; you can then provide it once the students have recognized that proof of unfair trade practices is required for their decision.

The 2011 exercise provides a useful jumping-off place for more recent trade policy debates as well. You have more recent information from an article in the New York Times on 15 August 2017 entitled **“Solar Developers and Panel Makers Clash Over Tariff Request”**, and the subsequent ruling by the Trump Administration as reported by Fortune on 22 January 2018 in **“Solar Trade Case: Trump Says Yes To New Tariffs That Target China”**.