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## U.S. Solar Manufacturers Commend Academics for Research on Alarming Economic Impacts of China's Industrial Subsidies

*Book estimates subsidies support more than 30 percent of output in key Chinese industries*

WASHINGTON--(BUSINESS WIRE)--The [Coalition for American Solar Manufacturing \(CASM\)](#) today commended two internationally known academicians on their new research and book about China's systematic approach to industrial and export subsidies to seize world market dominance. CASM said the book shines urgently needed light on the alarming role of Chinese government subsidies in precipitously mounting industrial and export expansions that can undercut prospects and jobs accompanying U.S. participation in key industries, including solar-technology production.

CASM praised "Subsidies to Chinese Industry: State Capitalism, Business Strategy, and Trade Policy" (Oxford University Press, 233 pp.), by Usha C.V. Haley and George T. Haley. The book explores China's "hidden advantage" of subsidies for strategic, capital-intensive industries as well as their trade, government and business impacts within the steel, glass, paper, auto parts and solar industries. "Our findings contradict the widespread belief that China's enormous success as an exporting nation derives primarily from low labor costs and deliberate currency undervaluation," the book asserts.

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The Haleys' book also points out a solar-industry paradox: "The provision of lower costs through subsidies has removed firms' incentives to lower costs through economically sound actions that result in achieving economies of scale and in shedding excess production capacity. Thus, many Chinese firms are economically inefficient in relation to their non-Chinese competitors, but Chinese subsidies overcome those inefficiencies and make those firms globally competitive." Meantime, CASM contends that China's policies put more efficient non-Chinese companies and employees out of commission.

Moreover, the Haley's argue, the Chinese subsidization leads to manufacturing overcapacity, which affects both domestic and foreign producers, and inhibits consolidation among Chinese producers that otherwise would occur. Many Chinese producers would otherwise go out of business, they say.

Consumers, the authors assert, stand to pay the heaviest economic toll. "Some have argued that Chinese subsidies help consumers by keeping prices low," the Haleys wrote in a recent [online commentary](#) for Harvard Business Review. "Our research leads us to conclude that like other monopolies, Chinese companies will raise prices as international competition retreats."

Since SolarWorld-led trade cases against the Chinese solar industry began in October 2011, CASM has contended that China's solar-manufacturing industry enjoys no production cost advantage, its government has illegally subsidized the industry's export drive and, in part, subsidies have enabled the industry to illegally price its imports below costs in the U.S. market. CASM argued that resulting fallout in the form of corporate bankruptcies, plant shutdowns and industry withdrawals in the West will leave the world industry with much-diminished competition and higher prices long term.

In effect, CASM said, the U.S. government agreed with the coalition late last year, when it imposed duties on Chinese solar imports ranging from about 24 percent to more than 250 percent. The number of defunct producers, according to CASM, has mounted into the dozens in each of the U.S. and European markets, leaving thousands of manufacturing employees out of work. Preliminary findings in trade cases in Europe, similar to those concluded in the United States, are imminent, the coalition says.

Usha Haley is an incoming professor and director of the Robbins Center for Global Business & Strategy at West Virginia University in Morgantown. George T. Haley is professor of marketing and international business at the University of New Haven and director of the university's Center for International Industry Competitiveness.

CASM is comprised of nearly 240 employers of more than 18,300 American workers who produce, finance and install solar technology. The company members' names, locations, businesses and statements are available on the CASM site's [members page](#).

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