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EDITORIAL ANALYSIS

The Solar Paradox — How the US Anti-Dumping Duty on Indian Modules Exposes a Clean Energy Trade Contradiction

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CURATED & WRITTEN BY

**Bharat Choudhary**

UPSC Educator & Content Creator

[linkedin.com/in/epicbharat](https://www.linkedin.com/in/epicbharat)

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THE EDITORIAL ARGUMENT

When the US Department of Commerce imposed a preliminary anti-dumping duty of 123.04% on Indian solar cells and modules last week, it did so in the name of fair trade. The combined tariff burden — more than 200% when added to existing countervailing duties — effectively closes the US market to Indian solar manufacturers. This is good for American solar producers. It is bad for American solar consumers. It is particularly bad for the global clean energy transition that both India and the US claim to support. The contradiction deserves examination.

THE STRUCTURAL IRONY

The United States passed the **Inflation Reduction Act (IRA)** in 2022 — described as the largest climate investment in US history. The IRA's solar provisions offer production tax credits for domestically manufactured solar modules. The explicit goal is to reduce US dependence on Chinese solar supply chains and build a domestic US solar industry. That is a legitimate industrial policy objective.

But the same IRA, in subsidising domestic solar production, also incentivises US solar manufacturers to seek trade protection against lower-cost imports from India. The 123% anti-dumping duty is the trade law consequence of the IRA's domestic-first logic applied to a global market.

The irony is stark: the US's most ambitious climate legislation is being used to justify measures that raise the cost of solar globally by closing one of the world's most competitive solar manufacturing bases (India's) off from the world's largest economy. If the goal is the fastest possible global energy transition, protectionism in solar trade works directly against it.

INDIA'S SOLAR EXPORT AMBITION — WHAT IS AT STAKE

India's **Production Linked Incentive (PLI) scheme for High-Efficiency Solar Modules** (₹24,000 crore) was explicitly designed to create globally competitive, export-oriented solar manufacturing. The US market — the world's second-largest solar market — was among the primary export destinations envisioned. Companies like **Adani's Mundra Solar** and **Premier Energies** have built manufacturing capacity with US exports as a significant revenue stream.

A 200%+ combined tariff effectively makes these units unviable as US exporters. At those duty levels, even high-efficiency modules with lower absolute cost cannot remain competitive. The US DoC's finding of "critical circumstances" — implying a rapid surge of Indian imports before the duty could be imposed — suggests the duty will be retroactively applied, compounding the damage.

The financial impact is immediate. Premier Energies shares fell 6-7% on the news. The investment thesis for India's PLI solar scheme — build world-class capacity and access the US market — requires urgent revision.

THE DUMPING ALLEGATION — IS IT VALID?

The US DoC calculated a weighted average dumping margin of 123.07% — implying that India is selling solar cells at approximately 55% of their fair market value. This is a remarkably high margin for a competitive industry, and it warrants scrutiny.

Indian solar manufacturing is cost-competitive for structural reasons: lower labour costs, high manufacturing efficiency from scale, and — critically — significant government support through PLI and Domestic Content Requirement (DCR) policies. The US treats government production support as "subsidy" that justifies countervailing duties. It treats below-cost sales (which may be a function of the subsidy, not deliberate dumping) as anti-dumping violations.

India has previously won at the WTO Dispute Settlement Body on US solar trade measures — the 2019 panel found US safeguard tariffs incompatible with WTO obligations. India should challenge this ADD through WTO channels as well. The process is slow (3-7 years), but it establishes legal rights and creates negotiating leverage.

WHERE DO INDIAN SOLAR EXPORTERS GO NOW?

The US market closure forces India to diversify its solar export strategy. Alternative destinations:

MARKET	POTENTIAL	CHALLENGES
European Union	Large solar installation pipeline; 200 GW target by 2030	EU own CBAM and domestic content preferences emerging
Middle East	Saudi Arabia (9 GW pipeline), UAE, Oman — aggressive solar programs	Competitive with Chinese suppliers
Africa	35+ countries seeking solar financing under Mission 300	Financing/payment risk; logistics
Southeast Asia	Vietnam, Indonesia, Philippines — growing solar markets	India-ASEAN FTA; competitive dynamics
Bangladesh, Nepal	Adjacent demand	Volumes limited

The silver lining: the US tariff pressure on India mirrors similar pressure on other Asian suppliers. If Vietnam and Laos (also targeted by the same US complaint) also face high duties, Indian manufacturers lose a relative cost disadvantage from being in a competitive US market; all Asian suppliers are pushed out together, and the EU/Africa/Middle East markets open up.


UPSC RELEVANCE

PAPER	ANGLE
GS3 — Economy	Anti-dumping duty; PLI scheme; solar manufacturing; India's export strategy
GS2 — IR	India-US trade disputes; WTO dispute settlement; IRA and trade protectionism
GS3 — Environment	Solar energy; clean energy transition; trade and climate compatibility

Mains Keywords: Anti-dumping duty, PLI Solar scheme, US Department of Commerce, Inflation Reduction Act, WTO dispute settlement, solar exports, India-US trade, Mundra Solar, Premier Energies, clean energy trade

Prelims Facts Corner

ITEM	FACT
Anti-dumping duty	123.04% (preliminary)
Combined tariff	>200% (ADD + CVD)
Complaint filed	July 2025 by US Solar Energy Industries Association
Countries targeted	India, Indonesia, Laos
Companies hit	Mundra Solar (Adani), Premier Energies, Kowa
Final determination	Within 75 days of preliminary
PLI Solar scheme	₹24,000 crore; high-efficiency solar module production
IRA year	2022
India's prior WTO win	2019 DSB panel ruling against US solar safeguard tariffs


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