

Chinese cheating by using subsidies

Where is the World Trade Organization?

According to a recent report commissioned by the Alliance for American Manufacturing, the Chinese government has exponentially boosted its steel output over the last three years through massive, trade-distorting energy subsidies.

Total energy subsidies to Chinese steel from 2000 to mid-year 2007 reached \$27.11 billion.

Despite China's entry to the World Trade Organization (WTO) in 2002, energy subsidies grew, totaling \$25.07 billion through mid-year 2007. Subsidies are illegal under terms of membership in the WTO.

"These energy subsidies include supports for thermal and coking coal, electricity, and natural gas. Chinese subsidies exist, they are enormous, and they are shaping the global steel market," said Usha C. V. Haley, Ph.D., the report's author.

China has identified steel as a strategic industry, and the central and provincial governments have decided to ramp up steel production with massive subsidies that have now been confirmed.

China is the largest producer and consumer of steel in the world, accounting for 40% of the global market.

Much has changed for China's steel industry in the last five years. In 2005, China went from a net steel importer to a steel exporter. In 2006, China became the largest steel exporter in the world by volume, up from fifth largest in 2005. This enormous increase in production has come at a cost for U.S. manufacturing; more than 1.8 million U.S. jobs have been displaced since China joined the WTO, according to the Economic Policy Institute.

"This shift from a net importer to the largest exporter in a span of only two or three years is staggering," said Haley. "Our analysis shows that energy subsidies have a very strong correlation with Chinese steel exports.

"In fact, the connection is so clear that, essentially, it's possible to almost perfectly predict China's steel exports from its energy subsidies."