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1.8M factory jobs lost in U.S.

By Joe Napsha
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Trade groups representing U.S. manufacturers and foreign concerns disagreed over a report claiming that the United States lost 1.8 million factory jobs over the past seven years, caused in large part by a Chinese steel industry bolstered by $27.1 billion in energy subsidies.

"Chinese (energy) subsidies exist, they are enormous and they are shaping the global steel market. Our analysis shows energy subsidies have a very strong correlation with Chinese steel exports," according to the Alliance for American Manufacturing, a Washington-based association of leading manufacturers and the Pittsburgh-based United Steelworkers union.

The "enormous increase" in China's steel production that accounts for 40 percent of the market, has made China the largest steel exporter in 2006, and has cost about 1.8 million U.S. manufacturing jobs, said Usha Haley, author of the report on China's energy subsidies to its steel industry, which was released Tuesday.

With those subsidies in place, the average cost of China's steel products are about 20 percent less than steel produced in the United States or Europe, said Haley, a business professor at the University of New Haven in Connecticut.

From 2002 through mid-2007, the Chinese steel industry benefitted from $25 billion in subsidies for thermal and coking coal used in steel production, as well electricity and natural gas, Haley said. China's energy subsidies to steel grew by 1,365 percent, from 2000 to 2006, the report said.

"What I've disclosed (subsidies) is only the tip of the iceberg," Haley said. "The data is murky and China has refused to acknowledge that it subsidies its steel industry," she added.

Congress and President Bush must address and remedy the issue of China's energy subsidies, said Scott Paul, the alliance's executive director.

The report's findings are disputed by the American Institute for International Steel, which believes that blaming the loss of U.S. manufacturing jobs on the export of Chinese steel aided by government energy subsidies as "an absurd statement," said David Phelps, president of the Washington-based free trade institute.

Linking the growth of the Chinese steel industry to energy subsidies "is simple-minded at best," said Phelps, whose association promotes the interests of steel importers and exporters.

China's steel industry has grown because of "the explosive demand for steel for its infrastructure and modernization," Phelps said. The percentage of China's steel exports, compared to total production, is about the same as in the United States, Phelps said.

Chinese steel executives say they pay the same price for energy as other industries, said steel industry analyst Charles Bradford of Bradford/Soleil Securities of New York, who has visited Chinese steel mills. The steel industry might benefit from a fixed price for gasoline, and for imported oil that is cheaper because of the rise in China's currency, but pushes up the cost of its exports, Bradford said.

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