



China Steelmakers Get \$27 Billion Subsidy, Group Says (Update1)

By Dale Crofts



[+ Enlarge/Details](#)

Jan. 8 (Bloomberg) -- China, the largest steel producer, has spent \$27 billion on energy subsidies for its steel industry since 2000, allowing producers to undercut overseas competitors, the Alliance for American Manufacturing said.

The Asian nation provides thermal and coking coal, electricity and natural gas subsidies for its steelmakers, according to a report from University of New Haven Professor Usha Haley commissioned by the Washington-based trade group.

Steel producers in the U.S. and Europe are complaining that China is ignoring commitments made when it joined the World Trade Organization by illegally subsidizing its steel industry and unfairly putting overseas producers at a disadvantage.

China exported about 5.4 million tons of steel to the U.S. in 2006, about double the amount a year earlier, contributing to a decline in U.S. prices.

“Chinese subsidies exist, they are enormous and they are shaping the global steel market,” Haley said in the report. “China has identified steel as a strategic industry, and both the central

and provincial governments have decided to ramp up steel production with massive subsidies.

China has grown from a net importer of steel before 2005 to the world's largest steel exporter, accounting for about 40 percent of the global market. From 2000 to 2006, China's total energy subsidies to steel grew more than 14-fold, the report said.

Chinese Output

China produced 422.7 million metric tons of steel in 2006, according to the International Iron and Steel Institute. Japan is the world's second-largest steel producer, with output of 116 million tons in 2006. The U.S. is third with 98.6 million tons.

U.S. Steel Corp. and Nucor Corp., the two largest U.S.-based steel producers, rose in New York on Dec. 21 after the China Securities Journal reported that China was planning to raise export tariffs on steel products to help deter exports. Duties on hot-rolled coil and long-steel products will be increased to 15 percent, from a range of 5 percent to 10 percent, the Journal said.

A July report by U.S. law firm Wiley Rein LLP, on behalf of industry groups including the American Iron and Steel Institute, said that China has granted more than \$52 billion in subsidies to the industry. Incentives provided to Chinese steelmakers include \$17.3 billion in loans and credits and about \$18.6 billion in equity, the firm said.

To contact the reporter on this story: Dale Crofts in Chicago at dcrofts@bloomberg.net .

Last Updated: January 8, 2008 16:16 EST

