

# INDUSTRIAL Market Trends®

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## China Accused of Steel Dumping

By David R. Butcher

At a time when the worldwide steel market is falling, many steel producers worry China is poised to dump more cheap steel into the U.S. market.

The United States is no longer the steel giant it once was, ranking third in the world for production in 2008, behind Japan and China. The first country ever to produce more than 550 million metric tons in a year, China out-produces the U.S., Japan and Russia combined, producing one-third of the world's steel, according to the [World Steel Association](#) (worldsteel).

And while U.S. and European steel mills are cutting back on production, "China seems to be expanding," a [TIME Magazine](#) report said in late April.

As steelmakers worldwide remain stricken by falling demand, a chorus of steelmakers is warning of a possible steel surge from China and is calling out the Chinese government on unfair subsidies and "steel dumping," the act of selling a product in a market below the home-market price it cost to produce it.

Last month, *TIME* suggested that many of the country's state-owned enterprises will continue to produce steel "without regard to market demand." Stimulus funds will keep propping up production even "when the market demand has just collapsed."

A 2008 report commissioned by the Alliance for American Manufacturing (AAM) concluded that the Chinese government has already boosted its steel output exponentially over the last few years through massive, trade-distorting energy subsidies. 2007 energy subsidies showed a 3,800 percent increase since 2000. While the amount of subsidies has fluctuated throughout the decade, subsidies to steel producers and processors have persisted, according to the AAM report, titled [Shedding Light on Energy Subsidies in China](#). "Substantial energy subsidies pervade China's steel production," AAM explained.

The AAM report, by the University of New Haven's Dr. Usha Haley, found China's steel producers have received more than \$27 billion in governmental energy subsidies since 2000. "These subsidies have contributed directly to the ballooning of Chinese steel exports and have affected the global and U.S. steel industries," the report claimed.

In 2007, Chinese steel production and global steel exports were estimated to have grown by 289 percent and 1,276 percent, respectively, from 2000, according to the AAM report.

Like U.S. steel producers, European Union steel makers also blame large government subsidies to the Chinese steel industry for flooding the world market with cheap steel and pushing prices down in recent years. In February, the alliance of European steel manufacturers, [Eurofer](#), accused China of systematically distorting steel markets through subsidies.

Now domestic steel producers say that buyers in North America can expect even more low-priced steel imports in the near future.

"Demand has fallen off a cliff since October," Eurofer General Director Gordon Moffat told *TIME*, calling the current situation a "perfect storm" for a trade war. "We know China is simply waiting for demand to return before flooding the markets," Moffat said.

In a separate report, [TIME](#) claimed that the U.S. and Europe might be headed for a "steel war with China."

Last month seven steel manufacturers, including U.S. Steel Corp., and the United Steelworkers (USW) filed an anti-dumping and countervailing duty trade case against Chinese imports with the U.S. Department of Commerce (DOC) and the U.S. International Trade Commission (ITC). The petition not only alleges that Chinese producers are benefiting from massive government subsidies prohibited under international trade laws, but also accuses the country of illegally dumping a specific type of Chinese pipe steel.

In [a statement from the USW union](#), the steelmakers argue that Chinese mills benefit from subsidies for oil-country tubular goods (OCTG) sold in the U.S. The petition further alleges that Chinese-made OCTG, used to extract oil or gas from drill wells, are being "dumped" on American shores on margins ranging from 40 percent to 90 percent.

Subsidized OCTG imports have nearly tripled in volume between 2006 and 2008, U.S. Steel spokesperson Erin DiPietro told the [Pittsburgh Business Times](#) this month. In the first quarter of 2008, an estimated 600,000 net tons from China came to the U.S., she said.

In 2008, U.S. Steel and other parties filed "a similar case against China regarding circular welded line pipe, also used in the energy industry," the [Pittsburgh Business Times](#) reports. Last month the ITC unanimously found evidence of material injury from dumping, clearing the way for tariff duties on the product.

The EU currently charges "anti-dumping duties on some Chinese steel imports to protect its steel from below-cost imports," [Forbes](#) reports.

Last month [eight major steel associations](#) from Europe, the U.S., Canada and Central and South America joined to submit comments to the Chinese government on China's current steel industry development plan, voicing concerns regarding the state-sponsored support for China's steel industry.

From the recent American Iron and Steel Institute's conference in Phoenix, [Purchasing.com](#) reported comments made by company executives protesting steel dumping: Nucor Corp. Chairman and CEO Dan DiMicco and others called for trade agreements to be strictly enforced. DiMicco said U.S. trading partners, especially China, have to be responsible — that they must adhere to agreed-upon rules and not unfairly undercut domestic steel producers. DiMicco said steel companies already have appealed to trade officials and that the government must ensure competition.

U.S. Steel, Nucor and AK Steel Holding Corp. recently said "higher import tariffs are needed to help them survive the global recession and the shakeout in the U.S. car industry — one of its biggest customers," the [Wall Street Journal](#) reported in February. WTO rules allow countries to raise import tariffs if they can prove dumped goods have directly hurt sales of domestic competitors.

The USW and the seven steel producers accusing China of unreasonably low pricing tactics are now calling for U.S. tariff increases of about 37 percent to 99 percent on the OCTG.

On April 15, Yao Jian, a Chinese Commerce Ministry spokesperson, stated, "China was highly concerned about the suit and would send a delegation to the U.S. to discuss the matter," according to [Xinhuanet](#). Yao said the U.

S. should resist protectionism as it deals with the anti-dumping complaints.

"The Chinese business community and the government are highly concerned about this case ... and will take suitable responsive measures," Yao said. (*Source: [The Sharon Herald](#)*)

The ITC said in a bulletin that it found "[a reasonable indication](#)" that the U.S. industry was materially injured or threatened with material injury from oil country tubular goods from China. The positive determination advances the case to the Commerce Department, which is tentatively scheduled to issue a preliminary countervailing duty finding on July 2 and a preliminary anti-dumping determination on Sept. 15.

## Resources

### [World Crude Steel Production Decreases By 1.2% in 2008](#)

World Steel Association (worldsteel), Jan. 22, 2009

### [Why China's State-owned Companies Are Making a Comeback](#)

by Austin Ramzy

TIME, April 29, 2009

### [Shedding Light on Energy Subsidies in China: Analysis of China's Steel Industry from 2000-2007](#)

by Usha C.V. Haley

Alliance for American Manufacturing, January 2008

### [Report Shows Chinese State-Business Relations Provoke Severe Market Distortions in the International Steel Market](#)

EUROFER, Feb. 25, 2009

### [Seven Domestic Producers File Petition Representing 6K Production Workers](#)

United Steelworkers, April 8, 2009

### [U.S. Steel Files Trade Complaint Against China for Steel Dumping](#)

by Beth Murtagh

The Pittsburgh Business Times, May 8, 2009

### [EU and China Call for New Global Trade Push](#)

by Aoife White

The Associated Press, May 8, 2009

### [EUROFER Submits Comments to the Chinese Government on the Current Chinese Government Iron and Steel Industry Development Plan](#)

EUROFER, April 15, 2009

### [More Low-Priced Steel Imports May be Coming](#)

by Tom Stundza

Purchasing, May 5, 2009

### [U.S. Steelmakers Seek More Tariffs to Fight Imports \*\(subscription required\)\*](#)

by John W. Miller

The Wall Street Journal, Feb. 20, 2009

[China Warns US Over Anti-Dumping Claim](#)

Xinhuanet, April 16, 2009

[China to Send Delegation to U.S. Over Steel Dispute](#)

The Sharon Herald, April 16, 2009

[American Steel Producers Highlight Inappropriate Chinese Efforts to Politically Influence Legal Proceedings](#)

The American Iron and Steel Institute, Committee on Pipe and Tube Imports, Specialty Steel Industry of North America, Steel Manufacturers Association and United Steelworkers, May 18, 2009

[China Launches AD Investigation against Russian HR](#)

Steel Guru, May 19, 2009

[ITC Votes to Continue Cases on Oil Country Tubular Goods from China](#)

International Trade Commission, May 22, 2009

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