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American steel trade group weighs in on China's energy subsidies

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The Washington-based American Iron and Steel Institute--no stranger to the issue of steel-sector subsidization--provided a statement to Platts Wednesday regarding the **Alliance for American Manufacturing's** Tuesday-released report titled, "Shedding Light on Energy Subsidies in China: An Analysis of China's Steel Industry from 2000-2007." The AAM report had pegged total energy subsidies to the Chinese steel industry from 2000 to mid-year 2007 at \$27.11 billion.

"AISI is concerned but not surprised that a newly released report reveals enormous energy subsidies provided by China's government to the Chinese steel industry," noted the statement. "China has the most heavily subsidized steel industry in the world. This was made clear in a report AISI jointly sponsored in 2007 titled 'Money for Metal: A Detailed Examination of Chinese Government Subsidies to its Steel Industry.' That report documented more than \$50 billion in subsidies granted in recent years to Chinese steel producers."

The AISI added that subsidies have fueled the "unprecedented expansion of China's steel industry and the sharp increase in Chinese steel exports to North America and the world." The trade group, which represents North American steelmakers, stressed that the subsidies documented in its own report were only the tip of the iceberg. "Therefore, the findings of this latest [AAM] report on Chinese energy subsidies come as no surprise," said the AISI.

"It is time for China to play by the rules of free and fair international trade," the AISI statement continued. "If the Chinese government wants to avoid rising trade tensions in North America and other markets, the solution is clear: the government of China should end immediately its control, direction and subsidization of steel and other major manufacturing sectors."

SUBSIDY CHARGES ALSO AIMED AT US MILLS

The AAM report may be the latest dealing with subsidies to a steel industry--but another fairly recent report that caused a stir was not directed at China. In fact, last November the American Institute for International Steel (AIIS), whose members are mainly steel importers and exporters operating in the US, unveiled an updated report detailing subsidies to the US steel industry.

Titled, "Paying the Price for Big Steel", the AIIS report pointed to "at least another \$15 billion to \$20 billion in trade restraints and subsidies in the seven years since "Paying the Price" [was released]--even as Big Steel records unprecedented profits and displays immense concentrated market power." The release of the AIIS report, charging subsidies to the US steel sector, set off a rhetorical battle.

Andrew Sharkey, AISI president and CEO, was quick to call the AIIS study, "bogus." He said at the time: "This is a case in which the apologists for Chinese subsidies, currency manipulation and mercantilism are attempting to divert attention away from China's own protectionism and non-market behavior, which continue to be the subject of growing worldwide criticism."

Sharkey had said in November that the Chinese steel industry benefits from more than \$50 billion in subsidies, including what he described then as artificial currency undervaluation, lax environmental enforcement and manipulation of border-adjustable taxes.

The AIIS was asked Tuesday for a comment regarding the latest AAM report on energy subsidies to Chinese steel, but there has been no response. --Joe Innace, joseph_innace@platts.com

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