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China group denies subsidies fuelling steel exports

BEIJING, Feb 20 (Reuters) - A Chinese industry group denied on Wednesday claims in a U.S. study that government energy subsidies had fuelled China's transformation into the world's largest producer and exporter of steel.

The study, prepared for the Alliance for American Manufacturing, said many of the subsidies to China's steel industry violated World Trade Organisation rules.

But the China Chamber of Commerce of Metals, Minerals and Chemicals Importers and Exporters hit back, saying it was "groundless and deviated from the truth", state media reported.

"The surge in China's steel output and exports in recent years has been totally driven by the need for steel products in China and importing countries for their economic growth," Xinhua news agency quoted the Chamber as saying.

Anti-dumping investigations launched by the United States would not resolve trade issues, nor would such moves benefit the U.S. steel industry, the group added.

The U.S. study estimated that in 2007, energy subsidies to Chinese steel were \$15.7 billion, a 3,800 percent increase since 2000.

Rapid expansion by Chinese steelmakers has led to a flood of exports from China, which was a net steel importer as recently as 2004, but industry officials say the country is not exporting its steel too cheaply.

The Chamber attributed to China's competitive edge in steel to low labour and management costs, rather than to subsidies, adding the country was developing its industry to satisfy domestic demand, not for the purposes of boosting exports.

China's steel exports were mostly low-end, generic products, which served as a supplement to the international market, Xinhua cited the group as saying.

China produced 489.2 million tonnes of crude steel last year, up 15.7 percent from 2006, the report said.

(Reporting by Lindsay Beck; editing by Chris Johnson)

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