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## China denies U.S. report of gov't energy subsidies to steel makers

BEIJING, Feb. 20 (Xinhua) -- A Chinese industry group on Wednesday denied the claims of a U.S. study released last month, which stated that massive government energy subsidies had fueled the country's steel exports.

The accusation that China had supported its steel industry with energy subsidies of 27.1 billion U.S. dollars from 2000-07 was groundless and deviated from the truth, said a statement from the China Chamber of Commerce of Metals, Minerals and Chemicals Importers and Exporters (CCCMC).

"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," it said.

The study, commissioned by the Alliance for American Manufacturing, provided new ammunition for U.S. steel companies that are pressing for tough measures by Congress against China's steel products.

China, the world's biggest maker and consumer of steel, produced 489.2 million tons of crude steel last year, up 15.7 percent year-on-year, which was 2.67 percentage points lower than the rise in 2006.

Net exports of crude steel soared 58 percent to 54.9 million tons last year. But exports to the U.S. declined 23.3 percent as prices rose 32.3 percent.

Responding to foreign complaints about cheap Chinese steel, the CCCMC statement attributed the competitive edge of the country's steel products to its low labor and management costs, rather than government subsidies.

With raw material prices and labor costs increasing, export prices for China's steel products had jumped 263 percent over the past seven years and were still rising, it said.

But China's steel exports were mostly low-end, generic products, which served as a supplement to the international market, it said.

Since China accounted for one third of world crude steel production capacity, if there was a global demand for the low-end product that no other country could meet, market forces would boost China's exports.

The statement also said that China had developed its steel industry for the purpose of satisfying domestic demand, not for exports. The

country had plans to phase out 100 million tons of obsolete iron capacity and 55 million tons of steel capacity by 2010.

Anti-dumping and anti-subsidy investigations launched by the United States against Chinese steel products would not help solve trade problems, nor would it favor the U.S. steel industry and consumers, it said.

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