

China paper subsidies imperil 5,000 jobs in region

Southwest Washington manufacturers could be affected, study says



Files/The Columbian

The Georgia-Pacific Camas Mill in Camas.

By Aaron Corvin

Thursday, July 8, 2010

Paper subsidies from the Chinese government are gouging U.S. manufacturing and could cost 5,000 jobs in Southwest Washington, according to a new analysis



Scott Bailey, Southwest Washington regional economist.

by the Economic Policy Institute.

The study, commissioned by the Alliance for American Manufacturing, found that China has fueled its rapidly growing paper industry with more than \$33.1 billion in government subsidies, undercutting the U.S. paper industry's competitive advantages and allowing that country to overtake the U.S. to become the world's largest producer of paper and paper products.

Clark County has lost half its paper industry jobs in the past decade. There were 1,300 local paper jobs in 2009, down from 2,600 paper jobs in 1999. To the north, Cowlitz County's paper industry contracted 42 percent over that time, to 2,100 jobs.

Scott Bailey, Southwest Washington regional economist for the state Employment Security Department, said that China cannot shoulder all the blame for that decline.

The industry has also lost jobs because of increased automation and corporate decisions to close, rather than upgrade, aging mills.

"It comes down to profitability," Bailey said. "There's a cycle of new plants versus old plants. How much do you reinvest in the old plant and then finally pull the plug?"

Scott Paul, executive director of Washington, D.C.-based Alliance for American Manufacturing, agreed that the Chinese government was not the sole cause of the industry's decline.

However, he said, the variable that has changed the most over the past several years is the emergence of China as a competitor. And the Chinese government's massive subsidies to its paper industry mean that American papermakers are not competing against China on a fair playing field, he said.

Paul said it's likely that tens of thousands of U.S. paper industry jobs were killed by heavily subsidized Chinese paper imports during the 2002-2009 period covered by the study. As further evidence of what he calls "China's illegal trade activities" in the global paper industry, Paul pointed to a ruling by the U.S. International Trade Commission in October 2008 that imposed both anti-dumping and anti-subsidy duties on imports of lightweight paper from China and Germany.

The study of China's paper subsidies was written by Usha Haley, a professor of international business at Massey University in Auckland, New Zealand, and a research associate for the Economic Policy Institute. Released in June, the 41-page study says China has "no natural competitive advantage in papermaking, and lacks the natural resources to fuel the industry." Yet the country has managed to sell paper at a "substantial" discount compared to U.

S. and European paper. China has managed to do this by becoming the largest importer in the world of pulp and recycled paper and by fueling its paper industry with more than \$33.1 billion in government subsidies, including \$25 billion in subsidies for pulp, \$3 billion for coal and \$2 billion in loan-interest subsidies.

In Washington state, 12,340 jobs are being threatened by the rapid growth of highly subsidized paper exports from China, the study found. The bulk of those jobs — 5,015 — are in the 3rd Congressional District which encompasses Clark, Cowlitz, Wahkiakum, Pacific, Lewis and the majority of Thurston and Skamania counties.

Greg French, a spokesman for Weyerhaeuser Co., the Federal Way-based timber giant whose operations in Longview include making packaging for consumer beverages, said China's paper industry is a "consideration, but not a core component of our strategic focus."

Focusing on specialty products and taking advantages of the logistics of its North American locations "protect us from competition from China and other parts of the world." French said. "We're a niche player,"

Steve Church, a spokesman for Georgia-Pacific, declined to comment on competition from China. The Atlanta, Ga.-based paper manufacturer owns the Camas mill, which employs 500 people.