

**U.S. lawmakers urge probe of China paper subsidies**

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WASHINGTON, July 28 (Reuters) - A bipartisan group of more than 100 U.S. lawmakers from 30 states on Wednesday urged President Barack Obama to investigate Chinese subsidies they said are crippling the U.S. paper industry.

"We must fight communist China's predatory trade practices to defend American jobs, especially in our crucial manufacturing sector," Michigan Representative Thaddeus McCotter said in statement.

The letter to Obama was led by lawmakers from major forest product states, including Representative Mike Michaud who worked in a Maine paper mill before being elected to Congress.

"It is imperative that our government act swiftly not only to enforce current trade laws but also to implement new policies to guarantee our paper producers can fully compete in a fair, global market," said Maine Senator Olympia Snowe.

U.S. employment in the paper and paper products sector dropped nearly 30 percent between 2002 and 2009, while China's paper production "surged," the lawmakers said.

The plea comes as the Commerce Department has been considering for months whether to investigate charges made by U.S. coated paper producers that China effectively subsidizes paper exports by undervaluing its currency.

Department officials have refused to say when they expect to reach a decision on that issue.

A recent study by the left-leaning Economic Policy Institute said subsidies and loans have fueled a threefold increase in Chinese paper production over the past decade.

"In 2010, China has by far the fastest-growing paper industry in the world. Yet, China also has among the smallest forestry resources in the world to support this industry's expansion," the report said.

House Minority Leader John Boehner, whose state Ohio is home to one of the paper companies asking for import duties on China, said in a separate letter to Obama that the case should proceed "unimpeded by politics."

Boehner pushed instead for approval of free trade pacts with South Korea, Colombia and Panama, which he said would create significant new export opportunities for "Ohio's paper industry and scores of other manufactures across the country."

(Reporting by Doug Palmer; Editing by Cynthia Osterman)

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