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June 30, 2010

Chinese Paper Subsidies: Boring? Jobs: Not Boring!

-- by Dave Johnson

This post originally appeared at [Campaign for America's Future \(CAF\)](#) at their [Blog for OurFuture](#) as part of the [Making It In America](#) project. I am a Fellow with CAF.

China is cheating again. Yawn... China is subsidizing its paper industry (\$33 billion 2002-09) and has tripled their production, and now is the largest producer of paper and paper products. Yawn.

This has cost jobs and approximately 400,000 remaining American jobs are at risk. And the companies they work for. NOT so yawn!

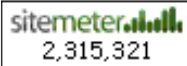
The Economic Policy Institute has released a [briefing paper](#), titled, *No Paper Tiger*. This paper documents the different government subsidies behind the surge of Chinese paper imports, and look at its implications for the American paper industry.

Some of the subsidies that government provides,

This Briefing Paper estimates that in China's paper industry, subsidies for electricity amounted to \$778 million • (from 2002 to

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2009); subsidies for coal, \$3 billion (from 2002 to 2009); subsidies for pulp \$25 billion (from 2004 to 2009); subsidies for recycled paper, \$1.7 billion (from 2004 to 2008); subsidy income reported by companies, \$442 million (from 2002 to 2009); and loan-interest subsidies, \$2 billion (from 2002 to 2009). Missing data prevented calculation of pulp or recycled-paper subsidies in 2002, 2003, and 2009.

Implications for our own industry,

Cheap, subsidized Chinese paper exports have affected the U.S. paper industry. Despite comparable cost structures, high efficiencies, and plentiful natural resources, U.S. paper companies have failed to compete globally or nationally on price against much-cheaper Chinese imports. In 2010, the United States remains a net importer of paper and paper products. Imports from China are rising faster than those of any other country for this industry, with the value of U.S. imports from China growing at an annualized rate of 22%.

And the cost in jobs,

"From 2002 through the end of 2009, U.S. employment in the paper and paper products sector dropped 29 percent, from roughly 557,000 workers to 398,000."

As the paper shows, China has no competitive advantage or cost advantage that would lead to the lower prices that are powering this surge. Labor is only 4% of the cost, and they import much of the pulp for the paper. They don't have economy of scale. **It is only the government subsidies that enable them to take over the industry.**

From the Alliance for American Manufacturing, (See [press release here.](#))

China's massive subsidies to its paper sector are doing severe

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damage to the U.S. paper industry, its workers and their families," said Scott Paul, executive director of the Alliance for American Manufacturing (AAM). "The only way to stop the bleeding is for U.S. policymakers to take action against China's blatant violations of trade laws, including sweeping subsidies to paper and many other industries."

The [manufacturethis blog](#) lets you look up how many jobs this costs in your state and [Congressional district](#).

We need better trade law enforcement.

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Posted by Dave Johnson at June 30, 2010 11:14 AM



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