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Study: 1,005 Vermont jobs at risk as China pushes paper

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Heavily subsidized by the Chinese government in violation of global trading rules, the Chinese paper industry has tripled production over the past decade, killing jobs throughout the United States and driving up the massive U.S. trade deficit with China, according to a report released today by the Economic Policy Institute (EPI). In Vermont, according to the study, some 1,005 jobs are at stake.

The EPI report, *No Paper Tiger: Subsidies to China's Paper Industry from 2002–2009*, says that China's rapid rise in the global paper industry has been fueled by more than \$33 billion in government subsidies from 2002 to 2009. The full report can be found at www.americanmanufacturing.org

The U.S. paper industry is large and highly competitive, employing 474,000 workers in nearly 5,000 plants in the 2005–2007 period. However, thousands of U.S. paper producers, and the more than 470,000 remaining jobs, are at risk due to the rapid growth of highly subsidized paper exports from China. Almost every state has workers in the paper sector, with California, Georgia, Illinois, Ohio and Wisconsin having the highest number of paper industry workers.

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

China's export-driven paper industry has added 26 percent of new production capacity on average every year since 2004, increasing the U.S. trade deficit with China. Imports from China's paper industry to the United States are rising faster than those from any other country. In February 2010, the report estimates, the annualized growth rate of Chinese paper and paper-product imports into the United States was 22 percent.

China has no natural competitive advantage in papermaking and lacks the natural resources to fuel the industry. China's forest base is among the smallest in the world per capita. Consequently, the country is the world's largest importer of pulp and recycled paper.

Despite the explosion in new China paper mills, the country's paper industry uses outdated, obsolete and polluting machinery and technology, contributing to China's growing status as one of the world's leading polluters, according to the report, which was written by Usha C.V. Haley, Chaired Professor of International Business at Massey University in Auckland, New Zealand, and an EPI research associate.

The EPI report estimates that subsidies to China's paper industry have included: