Targeted support for non-ferrous metals producers

An Industry of ‘strategic importance’

Non-ferrous metals sector at centre of:
Strategic Emerging Industry Initiative
Made in China 2025 Plan

Subsidies to metals producers (2011-2016)

€5.2bn direct subsidies = 44% after-tax profits**
€2.1bn income subsidies
€300 million energy subsidies
Further subsidies for plant relocation, technology renovation, R&D, trademarks and patents

Systemic distortions of all Chinese industries

State-set prices for raw materials & import support
Preferable land-use rights for industry
State-limited labour costs
Repressed capital costs***
Debt-equity swaps
Lax enforcement of environmental laws
Active promotion of domestic production

Raw materials prices are detached from supply/demand market mechanisms
Lower land use costs for industry, but Chinese population faces higher property prices
Low wage costs for industry, but limitations on worker organisation and labour mobility
Overinvestment in capital intensive industries, leading to overcapacities
Bad debt is shifted and hidden to keep industrial companies alive
Chinese population faces higher pollution, while industry does not bear mitigation costs
Substitution of imports with domestic supply

Export Controls
- Export restrictions on 11 metals according to EU WTO complaint
- Selective duties and quotas
- Flexible VAT rebate

*due to artificially low interest rates & a managed exchange rate  ** 5.3bn direct subsidies make up 44% of after tax profits of the 65 surveyed companies
CHINA’S DISTORTION OF THE NON-FERROUS METALS INDUSTRY

Increased Chinese Production for all Metals

What are the results for Europe?

Increased Chinese exports, coupled with a reduced China import market

Artificially depressed global price levels

Unfair competition with Chinese state-supported companies “too politicized to fail”

OUR CALL TO EU POLICYMAKERS:
Keep effective EU trade defence mechanisms in place to guarantee fair competition for European metals producers on the global market

*Utilisation rates show the remaining production potential available to China in 2016  ** ITRI (2016) - https://www.itri.co.uk/market-analysis/news-2/itri-study-shows-global-smelting-over-capacity