PRESS RELEASE

# New study demonstrates "massive distortions" across China's non-ferrous metals industry

**Brussels, 2 May 2017 – A landmark study - commissioned by WVMetalle, the German non-ferrous metals industry association - has been released today verifying that all sections of China's non-ferrous metals industry are artificially supported by distorted market structures.**

**Think!Desk, an independent EU-China think tank, analyses how Chinese governmental interventions have triggered massive overcapacities in several metals sectors, including aluminium, lead and tungsten. Other sectors are expected to follow. The authors conclude that EU trade defence mechanisms must be kept in place to guarantee fair competition for European metals producers on the global market.**

This new analysis arrives at an important time for European non-ferrous metals producers, with the European Commission currently assessing how Chinese overcapacities affect the sector.

Franziska Erdle, WVMetalle´s Director General, commented: **"Today's study gives conclusive proof that Europe's entire non-ferrous metals industry is endangered by the consequences of Chinese market distortions. Government pricing interventions and subsidies have already led to massive overcapacities in several metal sectors, with wider impacts still expected. There should be no doubt that European metals producers need robust EU trade defence mechanisms to keep their position as global leaders in productivity and innovation".**

The study's authors confirm that China's non-ferrous metals industry is a core element in governmental planning. The Chinese government directly intervenes in the pricing of capital, labour, raw materials and basic inputs to the metals production process. In addition, the study reports that 65 analysed Chinese metals producers received over €5.2 billion of governmental subsidies between 2011 and 2016, which made up 44% of their aggregate after tax profits.

Think!Desk warns that without robust trade defence mechanisms, European producers risk being "crowded out" by Chinese firms drawing their strength from these distorted markets.

Guy Thiran, Eurometaux's Director General, continued: **"We will now share this analysis with the European Commission. Because of the non-ferrous metals industry's diversity and complexity, we consider it important that policymakers have the best possible information when evaluating distortions in our sector. Our message is simple: Chinese distortions disrupt the global markets for all non-ferrous metals, and European producers need the EU's support".**

***Think!Desk's study, "Analysis of Market Distortions in the Chinese non-ferrous metals industry" was commissioned by WVMetalle, the German non-ferrous metals industry association.***

## ABOUT EUROMETAUX

Eurometaux is the decisive voice of non-ferrous metals producers and recyclers in Europe. With an annual turnover of €120bn, our members represent an essential industry for European society that businesses in almost every sector depend on. Together, we are leading Europe towards a more circular future through the endlessly recyclable potential of metals.

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Al Cu Ni Pb Zn Au Ag Pt Sb Be Si Co Mo V Sn Pd Ru Re Os Ir W Ta Ge Se Ga Cr Mg

## Notes to editors

**Study details**

The study was carried out by Prof. Dr. Taube (Professor for East Asian Economic Studies/China, Mercator School of Management; Director of the IN-EAST School of Advances Studies, University of Duisburg-Essen).

65 non-ferrous metals companies were analysed in the period 2010-2016. Seven metals are analysed individually: aluminium, lead, copper, magnesium, nickel, tungsten and tin.

**China's industry policy**

The study shows that China's non-ferrous metals industry constitutes a core element of government planning in the context of the *Strategic Emerging Industry Initiative* (launched 2009), the *Made in China 2025 Plan* (launched in 2015) as well as other high level programmes.

To make China's mining/metals industry competitive, China's government directly intervenes in the pricing of capital, labour, land, raw materials and basic inputs to the production process. These distortions create wrong price signals that affect the full value chain.

**Specific market distortions**

- **Subsidies:** The 65 analysed companies received subsidies accounted as non-operating income amounting to more EUR 5.2 billion (from 2011 to 2016). These grants make up 44% of these companies' aggregate after tax properties. In addition, the companies received another EUR 2.1 billion in deferred income subsidies.
- **Debt-equity swaps:** Additionally, the examined companies exhibit a very high debt ratio of up to 98%. Debts are regularly transformed through debt-equity swaps, where the State takes over the shares. This instrument is used to keep under-performing but strategically important companies alive.
- **Energy and export subsidies:** The 65 examined companies have received over 4,000 individual subsidy transactions since 2011. Energy subsidies stand out due to their sheer magnitude (EUR 300 million between 2011 and 2015). Combined export subsidies totalled EUR 16.9 million.
- **Overcapacities:** The study also sheds light on massive overcapacities in several sectors, which is influencing global prices.
  - In 2016, the utilisation rate of China's aluminium primary production was only 77%.
  - Tungsten had a utilisation rate of nearly 50%
  - Support for China's copper industry has led to import substitution at the expense of foreign suppliers.



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