

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



Raw materials prices are detached from supply/demand market mechanisms



Preferable land-use rights for industry



Lower land use costs for industry, but Chinese population faces higher property prices



State-limited labour costs



Low wage costs for industry, but limitations on worker organisation and labour mobility



Repressed capital costs***



Overinvestment in capital intensive industries, leading to overcapacities



Debt-equity swaps



Bad debt is shifted and hidden to keep industrial companies alive



Lax enforcement of environmental laws



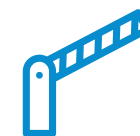
Chinese population faces higher pollution, while industry does not bear mitigation costs



Active promotion of domestic production



Substitution of imports with domestic supply

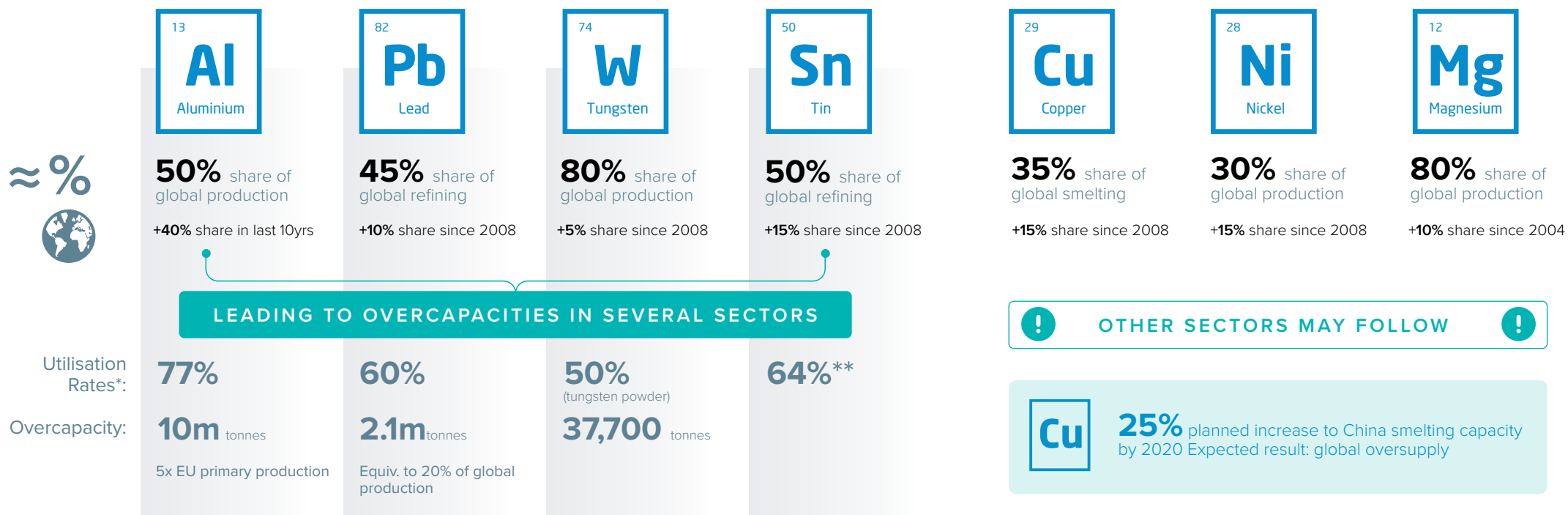


Export Controls

- 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
***Data summarised from "Analysis of Market-Distortions in the Chinese Non-Ferrous Metals Industry" - Think!Desk China Research and Consulting (2017)

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>