

# Subsidized steel from China is threatening the jobs of thousands of Latin Americans.

## We make a call on our governments to act urgently and ensure fair competition.

07.13.2015

### To the Governments of Latin America:

**The region is increasingly receiving Chinese steel under unfair trade conditions that do not meet the rules of the WTO** (World Trade Organization).

- » China produces 50% of the global steel output.
- » Its steel industry is formed by State-Owned Enterprises that are not ruled by market principles.
- » China's steel overcapacity is around 425 million tons (6 times the Latin American annual production).
- » An overcapacity of such magnitude –equivalent to 100 steel plants of 4 million tons capacity and US\$ 500 billion investment- could never exist in a market economy.
- » This enormous capacity is pushing Chinese exports to record highs (more than 100 million tons a year) to maintain activity and employment.

**Marketing at dumped and subsidized prices, China is displacing the local producers of the steel value chain in Latin America.**

- » Currently, Chinese steel supplies 13% of the regional consumption. Just 5 years ago, only 6%.
- » Latin America is the second largest international market for Chinese steel. It received 8.3 million tons in 2014. Estimations for 2015 reach 9.7 million tons.
- » The problem also affects the metal-mechanic value chain: Chinese imports to Latin America of manufactured steel products reached US\$ 82 billion in 2013.

The underwriting associations make an **urgent call to the Governments of Latin America to act promptly and effectively to ensure a fair playing field for steel trade in the region, especially regarding to China.**

**Only with strategic vision, political will and clear rules, we will be able to guarantee the industrial base Latin America needs to create quality jobs and economic development.**

Cordially,

Latin American Steel Association (Alacero);

Argentina: Argentine Chamber of Steel; Brazil: Brazil Steel Institute;

Chile: Alacero; Colombia: ANDI, Fedemetal Chamber and the Colombian Committee of Steel Producers at ANDI;

Mexico: Mexican Iron and Steel Industry Chamber (CANACERO);

Peru: Metal-Mechanic Committee, National Society of Industries.

**This Open Letter was published simultaneously in the following newspapers of Latin America: El Cronista (Argentina), O Estado de São Paulo (Brazil), El Mercurio (Chile), Portafolio (Colombia), Reforma (Mexico) and El Comercio (Peru).**

### Injury is visible.

- » Technical stoppages, closures of steel mills, layoffs and financial difficulties are taking place.
- » The threat is to reach irreversible situations.
- » For every 1 million dollars in manufactured steel products arriving from China, Latin America could lose up to 64 jobs.
- » It is impossible for private companies to compete against the Chinese Government.

**The Latin American steel industry supports fair competition in a level playing field. The current situation demands urgent actions with a holistic approach.**

- » Customs: effective inspections that avoid smuggling and antidumping duties evasion.
- » Quality Standards: same requirements for national production and imports.
- » Unfair Trade: apply timely and efficiently all the legal instruments provided by the WTO.
- » Trade Diplomacy: Demand that China and its SOEs operate in market conditions.
- » WTO: China should NOT be recognized as a market economy. The mere existence of its steel overcapacity confirms that it continues to be a centrally planned economy.