

Regional economy has stake in global trade wars

By Tim Tresslar, Staff Writer

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Major Dayton-area and Ohio manufacturers responsible for thousands of jobs are on the front line of international trade battles.

NewPage Corp., the Miami Twp.-based maker of coated papers, and AK Steel Holding Corp., a producer of flat-rolled steel based in West Chester, have allied themselves with competitors and labor unions to fight what they say are unfair trade practices.

In September 2009, NewPage, Appleton Coated Paper and Sappi Fine Paper North America filed anti-dumping and countervailing duty petitions against the People's Republic of China and Indonesia.

NewPage declined comment for this story. But, according to a November International Trade Commission report, the company told federal investigators it once had received a per-ton premium of between \$40 and \$60. To remain competitive with Chinese and Indonesian producers, those premiums had been reduced.

The appetite for coated paper fell during the Great Recession, coinciding with a downturn in advertising. Between 2007 and 2009, consumption fell 21.3 percent and paper producers such as NewPage began idling machinery, closing plants and laying off workers. During the same period, Chinese and Indonesian imports rose 3.8 percent.

Demand for coated paper in the U.S. fell another 14.7 percent between 2008 and 2009, the ITC report said.

NewPage ended last year with net sales of \$3.6 billion, and lost \$656 million, compared with total sales of \$3.1 billion, and a loss of \$308 million, in 2009.

During the past decade, China has become the world's largest producer of paper, thanks in part to huge government subsidies, according to a study by the Economic Policy Institute, a Washington, D.C., think tank that focuses on middle-class workers.

The study, "No Paper Tiger: Subsidies to China's Paper Industry from 2002-2009," said China accounted for 17 percent of world paper production in 2009, including exports of \$7.6 billion in paper and paperboard. It reached this level a year after surpassing the U.S. as the world's largest paper producer, the report states.

The study also estimates that Chinese paper producers have received \$33.1 billion in government subsidies between 2002 and 2009. The government subsidies included assistance for electricity, coal, pulp and recycled paper, the report said.

In 2007, AK Steel and its union, joined a drive by the domestic steel industry to put limits on imports

of hot-rolled steel from Brazil, Japan and Russia. More recently, the company threw its support behind a complaint filed by the U.S. Trade Representative against China for its use of anti-dumping duties and countervailing duties for grain-oriented electrical steel.

Alan McCoy, a spokesman for AK Steel, said issues such as product dumping never fully go away and the U.S. remains a “ripe target” for unfairly traded products.

“It’s not something we ever take our eye off of,” he said.

Such cases are costly and often take a long time to resolve, in part because they require hunting down such information as production costs and sales from producers in countries that are less open than the U.S., McCoy said. Since the cases can take awhile to resolve, foreign manufacturers often will continue unfair practices long after a complaint has been filed, he said.

“In the end, the best you can hope for is that eventually they get penalized enough to where they quit,” McCoy said. “But all that injury that takes place is just unrecoverable loss.”

Sen. Sherrod Brown, D-Ohio, said the state has concentrations in the chemicals, paper, glass, steel and aluminum industries, all of them vulnerable to unfair trade practices. More aggressive trade law enforcement is needed to protect these industries, he said. Companies also need to be willing to report trade violations as quickly as possible to protect jobs and businesses, he said.

Brown said the federal government could do more to protect domestic coated-paper makers by tackling manipulation of China’s currency. “They went a third or half the way on paper,” he said. “Again, they went further than other administrations have done before, but not enough.”

Experts continue to debate the effectiveness of such actions.

Robert Scott, a senior international economist with the Economic Policy Institute, said eligibility rules and legal costs, which can run in the millions of dollars, pose barriers for companies wanting to pursue fair trade cases.

“The problem is it can increasingly difficult to find a quorum, to find the 25 percent of domestic producers willing to file the case, and they have to be willing to foot the bill,” he said.

These obstacles have prompted a decline in the number of cases, he said. Scott said such actions do benefit the economy. For example, the Bush administration’s imposition of duties on some steel imports in 2002 spurred growth among U.S. steelmakers, he said.

“It was night and day in this industry,” Scott said. “Of course, employment was up. Output was up. Every measure you can imagine.”

Not every one agrees. Daniel Ikenson is associate director for the Center for Trade Policy Studies at the Cato Institute, which calls itself a libertarian think tank. Ikenson said anti-dumping actions help the U.S. industry that files the complaint while limiting the access of its customers to alternate supplies of materials, such as certain metals, that might cost less. This ultimately hurts those manufacturers, he said.

“In theory, the anti-dumping law is problematic,” he said. “In practice, it’s even worse.”

Imposition of countervailing duty laws, aimed at foreign products bolstered by government subsidies, is sometimes necessary to protect American companies, he said. However, he also said the U.S. Commerce Dept.’s current methods for calculating penalties lead to heavier-than-necessary duties on products.

“Therefore, it also inflicts harm on downstream industries and on U.S. consumers,” he said.

Experts say China’s goals are to be the world’s largest export economy, ahead of the United States and Germany.

“They see themselves as returning to a place they occupied in world affairs for millennia,” said Laura Luehrmann, an associate professor of political science at Wright State University. “I think that’s a really important starting point.”

This has included efforts by China, which is flush with cash, to establish closer ties with developing countries in Africa, the Middle East and Latin America, particularly those with energy reserves, Luehrmann said.

“I think that’s a big part of the story that doesn’t get told,” she said. “When people ask me if that’s good or bad, I tend to say I want people to know it’s there and evaluate it.”

Riad Ajami, director of the center for global business at Wright State’s Raj Soin College of Business, said China’s continued expansion is inevitable. However, China’s expansion also may offer opportunities for U.S. companies, he said.

“Are they making inroads? Yes, they are,” he said. “But we are further ahead than they are and we should be confident in our ability to innovate and produce. Now, should we ask for reciprocal conditions from the Chinese in terms of opening their markets, financial services, procurement, protection of intellectual property? Of course we should.”

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