

# Wiley Trade Report on Steel Subsidies Reveals China's Market-Distorting "Shell Game"

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Washington, DC – Wiley Rein LLP, a DC law firm, has published "Shell Game: Case Studies in Chinese Steel Subsidies," a new report authored by International Trade Practice co-chair Alan H. Price, partner Robert E. DeFrancesco, and of counsel Adam M. Teslik. The report provides a critical perspective on China's economic reform pledges for the steel industry and underscores the need for a more effective alignment between policy rhetoric and industry practices.

"Despite the strong rhetoric around 'reform' in China," explained Price, "our findings indicate that the Chinese steel industry has not yet experienced the substantial shift towards reduced government control and increased market orientation that was promised."

In the report, the authors analyze the steel industry during the 13th and 14th "five-year plan" periods (2016-2020; 2021-2025) for the Chinese economy, focusing on persistent government intervention and subsidies. By reviewing industrial policies and case studies of three steel companies, the report reveals how state-directed mergers, relocations, and financial support have contributed to uncompetitive excess capacity, distorting global steel markets. While China claims that it intends to reduce overcapacity, its policies to insulate the industry from market forces do the opposite, according to the report.

"As we examined the experiences of the three companies, we identified a broader trend of persistent government intervention in the steel industry," said DeFrancesco. "This ongoing involvement at both central and local levels suggests a reluctance to fully adopt market-based approaches, which contributes to overcapacity and pricing distortions impacting international markets."

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