China faulted over subsidies

Report says glass makers benefit from $30.3B in aid

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Ohio and Michigan have shed more than 8,000 jobs and tens of millions of dollars in business the last eight years because of subsidies China provides to support massive growth in its domestic glass industry, a new report says.

Though the report by a Washington think tank was critical of Chinese efforts to expand its domestic glass industry as worldwide demand falls, Toledo-area companies with glass manufacturing facilities in China could not confirm the findings of the report from their experiences.

The local glass firms are Owens-Illinois Inc., a Perrysburg firm which makes glass bottles; Libbey Inc., a Toledo table glass maker, and Pilkington PLC, a Japanese firm with a U.S. base in Toledo, which makes auto and building glass.

The Economic Policy Institute, which studies economic issues, issued the report yesterday as President Obama prepares to visit China next month to discuss trade and other issues.

The study found that:

- Chinese glass manufacturers benefitted from an estimated $30.3 billion in subsidies between 2004 and 2008, growing their production capacity even as domestic demand for its products slowed.
- China, the world's largest consumer of glass, increased its domestic glass output by an average of 18 percent annually between 1987 and 2007, during which time the U.S. trade deficit with China in the glass sector also tripled.
- In 2008, China produced 31 percent of all glass manufactured worldwide, and is the largest exporter of flat glass and glass fiber in the world.

The report was written by Usha C. V. Haley, the Asia programs fellow at the Harvard Kennedy School, Harvard University. It covers almost all glass products, such as consumer glass such as tableware, window glass, and automotive glass.

"These are unfair subsidies that China is pouring into the glass industry," said Robert E. Scott, a senior international economist at the Economic Policy Institute. "In the last 20 years, we've seen a growing gulf develop between multinational companies and the United States. Firms feel they can profit by expanding production abroad. "When that happens with the aid of unfair trade subsidies, that's a heavy, heavy thumb on the scale of fair trade," he said.

The report cites estimates by the U.S. Bureau of Labor Statistics that Ohio has lost 35.5 percent of the 12,823 glass manufacturing jobs it had as late as 2001. Michigan lost 40 percent of the 8,879 jobs in the sector that it had eight years ago, the report said.

Nationwide, almost 30 percent of the 135,252 glass manufacturing jobs have evaporated since 2001.

But Stephanie Johnston, a spokesman for Owens-Illinois, said the Fortune 500 firm operates four plants in China, some of which are joint ventures.

She said the subsidies described in the 37-page report don't appear to be a widespread practice in O-I's sector of the glass industry.

"We don't see [the subsidies] in glass packaging," Ms. Johnston said.

A spokesman for float-glass manufacturer Pilkington, which maintains a presence in metro Toledo, did not return calls seeking comment.

Libbey built its newest glass factory about 50 miles outside Beijing in 2007. The factory produces consumer glass primarily for China and the Pacific Rim, said Ken Boerger, company vice president and treasurer. He declined to discuss the report because he had not reviewed it.

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