

Senate Joint Memorial 5

Sponsored by Senators SHIELDS, BOQUIST, Representatives KENNEMER, WITT; Senators BEYER, OLSEN, Representatives BERGER, DEMBROW, ESQUIVEL, HOYLE, REARDON (at the request of the Association of Western Pulp and Paper Workers and the Carpenters Industrial Council)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Urges Acting Secretary of Commerce and United States Trade Representative to investigate extent of subsidies China grants to Chinese paper manufacturers and whether subsidies violate World Trade Organization rules, and to evaluate impact Chinese subsidies have on United States paper manufacturers.

JOINT MEMORIAL

1
2 To the Honorable Rebecca Blank, Acting Secretary of Commerce, and the Honorable Ron Kirk,
3 United States Trade Representative:

4 We, your memorialists, the Seventy-seventh Legislative Assembly of the State of Oregon, in
5 legislative session assembled, respectfully represent as follows:

6 Whereas the United States is home to more than 420 pulp and paper mills that together employ
7 an estimated 445,000 American workers; and

8 Whereas in recent years, pulp and paper mills based in the United States, and the well-paying
9 jobs the mills support, have been put at risk; and

10 Whereas in recent years, an estimated 105,000 jobs have disappeared from the paper and paper
11 products industry, according to the Pulp and Paper Research Council, leaving families and commu-
12 nities devastated; and

13 Whereas in 2011 alone, the oldest recycled paper mill in the United States closed in Oregon
14 City, Oregon, and the SP Newsprint mill in Newberg, Oregon, declared bankruptcy; and

15 Whereas the United States International Trade Commission has recognized, in imposing duties
16 on a number of specific Chinese products, that large subsidies from provincial and local governments
17 in China are putting United States manufacturers at a significant and unfair competitive disadvan-
18 tage; and

19 Whereas the United States is a natural fit for the paper industry, with more forest cover per
20 capita in the United States than in China and with cutting-edge industrial technology; and

21 Whereas labor costs in the industry in the United States amount to not more than eight percent
22 of the costs of production, leaving China little ability to compete on the reduced cost of labor; and

23 Whereas according to Economic Policy Institute estimates, the Chinese government has made
24 the government's intentions to subsidize the paper industry explicit in the 11th Five-Year Plan and
25 elsewhere, and has followed through with direct subsidies to the paper industry between the years
26 2002 and 2009 amounting to \$33.1 billion, with related subsidies to electrical production and to coal;
27 and

28 Whereas estimates of subsidies to Chinese recycled paper producers for recovered paper
29 amounted to \$1.7 billion between 2004 and 2008; and

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 Whereas additional and more opaque subsidies can also include low-cost preferential loans from
2 the state-owned banking system; and

3 Whereas the results of these subsidies have included a surge of paper-product exports from
4 China, with exports to the United States rising at an annualized growth rate in February 2010 of
5 22 percent and a rise in the cost of recovered paper, which is the recycled paper pulp used in fin-
6 ished recycled paper production; and

7 Whereas the subsidies that foster this growth in exports and rise in prices likely violate the
8 international trade laws and the World Trade Organization agreements to which China is a party;
9 now, therefore,

10 **Be It Resolved by the Legislative Assembly of the State of Oregon:**

11 That we, the members of the Seventy-seventh Legislative Assembly, respectfully request that the
12 Acting Secretary of Commerce and the United States Trade Representative immediately open a
13 broad-based investigation of:

14 (1) The subsidies that China provides to Chinese pulp and paper manufacturers;

15 (2) The degree to which the subsidies that China provides violate World Trade Organization
16 agreements to which China is a party and other trade agreements; and

17 (3) How the subsidies affect United States pulp and paper manufacturers; and be it further

18 Resolved, That the Acting Secretary of Commerce and the United States Trade Representative
19 are respectfully urged to take swift action to counter unfair Chinese subsidies in order to provide
20 a level playing field for American pulp and paper manufacturers; and be it further

21 Resolved, That a copy of this memorial shall be sent to the Acting Secretary of Commerce, to
22 the United States Trade Representative and to each member of the Oregon Congressional Delegation.
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