Oxford Economics on Chinese SOEs: State Subsidies Are Unfair Advantages
With billions in explicit and implicit government subsidies, Chinese state-owned-enterprises continue their steep, unfair disadvantage in key industries

(Washington, D.C.) – A new report from Oxford Economics underscores the economic advantage Chinese state-owned enterprises, including Chinese railcar manufacturer CRRC, have over similar industries in market economies, putting global competitors at a steep disadvantage.

The report, *"Off Track: The Role of China's CRRC in the Global Railcar Market,"* highlights that CRRC received $271 million USD in explicit Chinese government subsidies in 2020, and nearly $1.3 billion total between 2015 and 2020.

While these funds are included in CRRC annual reports, other researchers estimate that direct government funds represent only about a quarter of the total subsidies that Chinese SOEs receive from the state. Among others are obtaining production input, including financing and land, at below market-rate prices, as well as selling outputs at above market-rate prices.

As noted in the executive summary:

"That's why, with $35 billion in total revenue in 2021, CRRC . . . is the largest player in the $71 billion global railroad rolling stock industry.

Since the 1990s, China has pursued a policy towards SOEs of 'grasping the large, letting go of the small,' investing in national champions to dominate their respective industries. Under the management of the State-owned Assets Supervision and Administration Commission (SASAC) since 2003, SOEs have been encouraged to 'go big and go global' through domestic consolidation and expansion, as well as through foreign mergers and acquisitions."

Between 2015 and 2020, CRRC won seven passenger rail projects in North America worth over $4.3 billion and undercut the next lowest bidder by an average of 21 percent.

In a previous Oxford report, the economists noted that for every $1 billion in new contracts awarded to a Chinese SOE, the U.S. loses between 3,250 and 5,100 jobs that go to China.

"To our domestic rail manufacturers and suppliers, the figures in the Oxford report are more than just numbers," said Erik Olson, RSA Executive Director. RSA sponsored the Oxford report.

"They represent their lives and livelihoods. The issue is how to hold onto 65,000 good, family-wage jobs and ensure our North American based critical transportation manufacturers, like those in the rail industry, can stand up to competition against the Chinese state, which is propping up their SOEs with aggressive subsidizes."

The findings are especially relevant in the context of U.S. policy on 301 tariffs, which U.S. Trade Representative Katherine Tai has called “significant leverage” in the Chinese trade policy debate.

Along with other U.S. trade and manufacturing groups, the Rail Security Alliance sent USTR Ambassador Tai a letter in support of maintaining 301 tariffs on key railcar parts. That letter can be found here.

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About the Rail Security Alliance: *The Rail Security Alliance exists to support and encourage the adoption and enactment of U.S. policies, procedures and laws that are designed to promote the security of the railroads and the railroad system of the United States of America.*