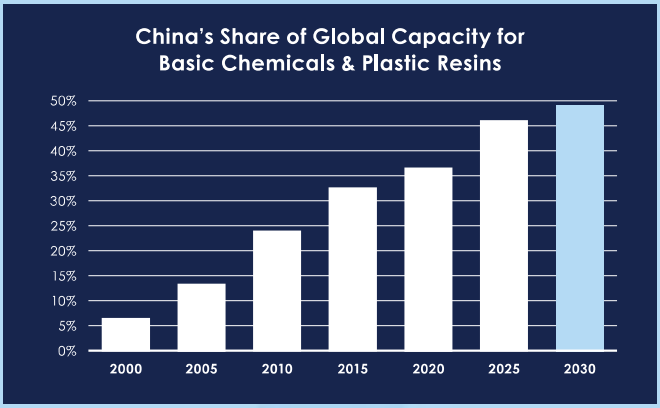
China's Share of Global Capacity Continues to Surge

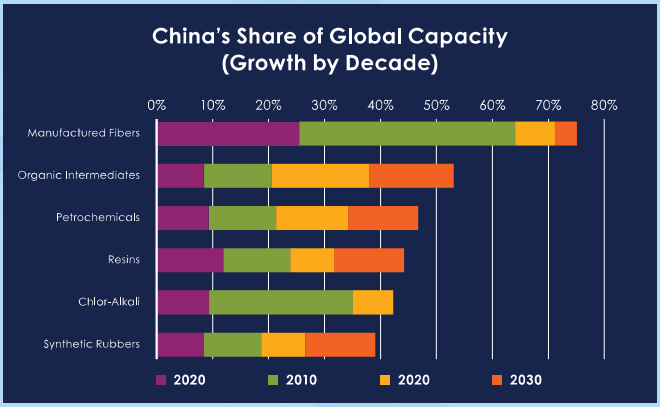
Since its entry into the WTO in 2001, China's chemical production capacity has surged dramatically. Starting with just a fraction of global capacity, it is expected to reach nearly half by 2030, according to data from ICIS Supply and Demand Database. The same data shows that China's share of global capacity in specific chemical categories is even higher.

While Chinese consumption of chemicals has also grown (more than 11-fold), capacity additions have exceeded that growth (by 18-fold). And China's capacity growth is expected to continue to exceed its growth in consumption through the end of the decade. By 2030, China is expected to account for nearly half (48%) of global capacity for basic commodity chemicals and synthetic materials, up from less than 10% in 2001.

The sources of structural excess capacity in chemicals are well known.[1] In addition to China's rapid capacity growth, firms receive considerable government support and a growing number operate at a loss, creating an unlevel playing field in the global market for chemicals.



Source: ACC analysis of ICIS Supply and Demand Database



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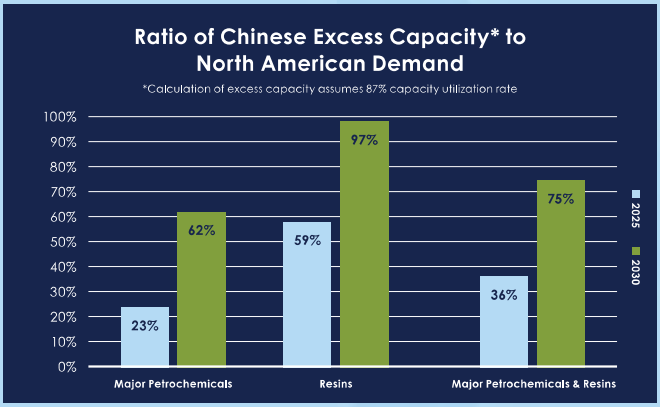

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Why Does It Matter?

As a result of this imbalance, U.S. producers are increasingly at a disadvantage both domestically and abroad. There are several pathways for U.S. chemical producers to be harmed by these unfair trading practices, including:

- Unfair import competition from direct exports from China into the U.S.
- Displacement of U.S. exports to third countries.
- Emergence of manufacturing in third countries enabled by low-cost inputs that create import competition for U.S. producers in downstream value chains and/or displace U.S. exports.

[1] See for example, ICIS, Chemical market overcapacity and weakening demand: a perfect storm, Rhodium, How China's Overcapacity Holds Back Emerging Economies; Roland Berger, Global chemicals in the crosshairs, and European Parliament, Industrial Overcapacities with a Focus on China, European Chamber, Overcapacity in China

American Chemistry Council