

Trade disputes

Chinese firms' market share gains driven by subsidies, says OECD

Companies in China benefit from eight times more state support on average than rich-world rivals, report claims



For semiconductor firms based in China, subsidies reached nearly 10% of their revenue in 2021 and 2022 © Pedro Pardo/AFP/Getty Images

Peter Foster in London and **Joe Leahy** in Beijing

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Subsidies and cheap loans have fuelled Chinese companies' rapid rise in sectors including autos, shipbuilding and solar, the OECD claims in a new report.

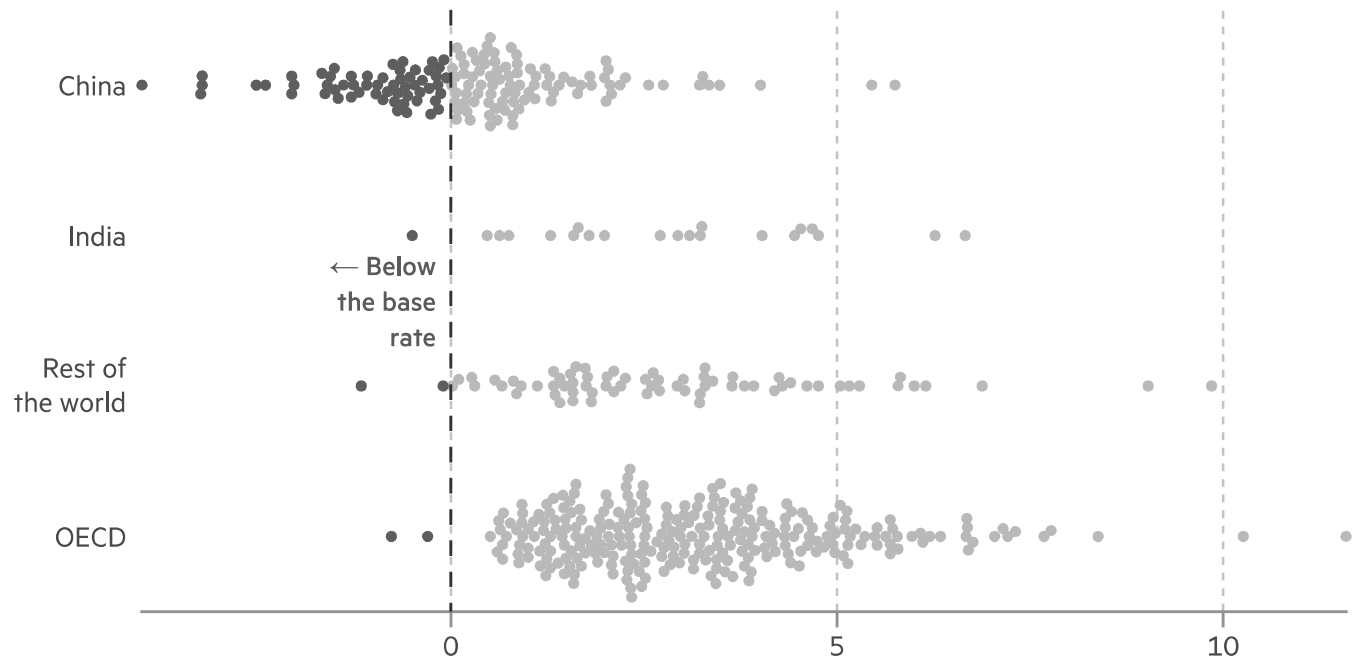
A company-level analysis of government subsidies across 15 key industrial sectors found that nearly 60 per cent of Chinese firms' global market share gains since 2005 could be attributed to subsidies.

The OECD's findings come amid rising tensions between Beijing and rival economies over the growing glut of Chinese-manufactured goods, chemicals and raw materials that are driving their own industrial groups out of business.

“Large and persistent industrial subsidies can distort global markets, creating unfair competitive advantages and contributing to excess supply capacity,” said OECD secretary-general Mathias Cormann.

Many Chinese companies have borrowed at below market rates

Average difference between the firm-level interest rate and the corresponding base rate, 2010 to 2024 (% points)



Source: OECD • Zero denotes companies' base rates for borrowing (e.g. a weighted average of Secured Overnight Financing Rate and Euribor) Actual interest rates are based on their average effective rates of interest

The research by the Paris-based organisation suggests that Chinese firms received three to eight times more government support on average in 2024 than companies in the 38 OECD countries.

Overall, global subsidies hit \$108bn in 2024, of which 52 per cent were in China. It was the second-highest level since the 2008-09 financial crisis, which led to government bailouts in a number of sectors, including in the US auto industry.

The findings will probably fuel further demands in Europe and the US to take stronger action to defend manufacturers, such as increased tariffs and import quotas.

EU industry commissioner Stéphane Séjourné last week promised to broaden the bloc's use of quotas and tariffs against China, despite the threat of retaliation from Beijing.

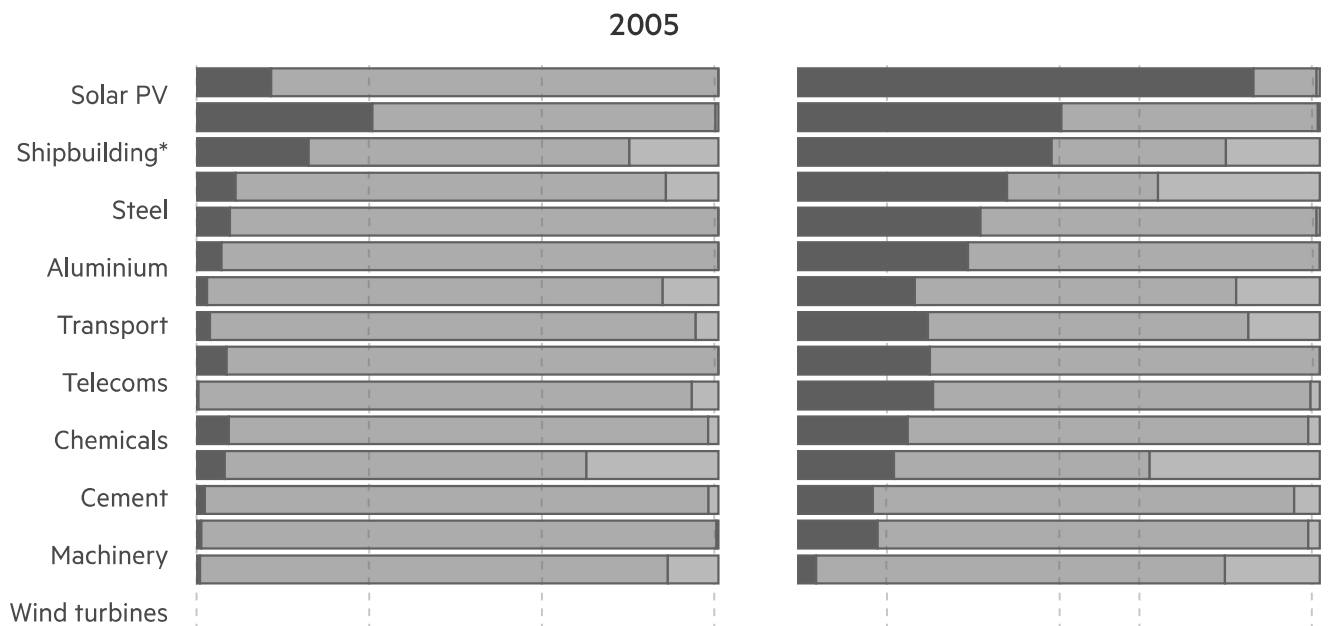
China denies using unfair subsidies and argues that its exporters are winning global market share because of their competitiveness. It says western arguments over its surpluses in manufactured goods ignore developed countries' advantages in services industries.

A foreign ministry spokesperson said in response to the EU's pledge last week that China would "take all measures necessary" against foreign trade defences.

China is doubling down on its industrial policy and this year launched its 15th five-year plan that emphasises developing self-resilience in the most advanced "future" technologies such as robotics and AI.

China has gained market share in industries ranging from solar to steel

Market share for China, OECD and other countries



According to the OECD analysis, Chinese aerospace companies benefited from subsidies two to five times bigger than those received by OECD-based rivals in 2024 when calculated as a share of revenue. In the car industry, subsidies were four times larger on that basis, according to the analysis.

In semiconductors, the average global subsidy was calculated at just over 2 per cent of company revenue, while for firms based in China, subsidies reached nearly 10 per cent of their revenue in 2021 and 2022.

The OECD's Manufacturing Groups and Industrial Corporations (MAGIC) [database](#) tracks subsidies received by 525 of the world's largest industrial companies between 2005 and 2024 to capture a representative share of global manufacturing activity.

Over that period, Chinese firms' global market share has advanced rapidly in many industrial sectors, led by solar panels, where it has jumped from 14 to 87 per cent.

However, the OECD researchers said that while subsidies led to increased market share, they did not contribute to a firm's productivity or profitability.

“Just like doping in sports, there is therefore a risk that subsidies result in less productive players winning unfairly at the expense of more innovative and efficient ones,” they wrote.

They also found that while OECD firms tended to be subsidised via grants and tax breaks, China firms received an “especially large” proportion of their support through “below-market borrowings” or soft loans that are less easily traced.

The researchers found that even Chinese companies with poor credit ratings were able to borrow from state banks at rates far below those available to highly creditworthy US and European rivals.

The OECD also warned of a decrease in transparency from Chinese corporates in recent years, noting a trend towards “less granular subsidy disclosures and a lesser availability of financial statements”.

Data visualisation by Amy Borrett

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