

Particular Market Situation in China

Introduction

1. The market price in China for cast iron articles is not an appropriate comparable price for determining the normal value in China within the terms of Regulation 7(1) of the Trade Remedies (Dumping and Subsidisation) (EU Exit) Regulations 2019 ('Trade Remedies Regulations').
2. Regulation 7(2) of the Trade Remedies Regulations provides that the comparable price (i.e. the domestic price in China) should not be used where, because of a particular market situation (PMS), use of that price is not appropriate for determining the normal value.
3. According to Regulation 7(4), a Particular Market Situation includes situations where:
 - (a) Prices are artificially low;
 - (b) There is significant barter trade;
 - (c) Prices reflect non-commercial factors.
4. Thomas Dudley Ltd. considers that a PMS exists in the market for the Goods Concerned. Thomas Dudley Ltd. also considers that a PMS exists in the market for the main factors of production for the Goods Concerned as well as in key input markets including energy, land, labour and capital. Finally, Thomas Dudley Ltd considers that cross-cutting distortions exist in China which contribute to the PMS in the market for the Goods Concerned and in other input markets.
5. Thomas Dudley Ltd. has identified several specific distortions in the market in China. These distortions in the factors of production and input costs, in addition to cross-cutting distortions cause the market price in China for cast iron articles to be artificially low and to reflect non-commercial factors. There is therefore a PMS within the meaning of Regulation 7(4) of the Trade Remedies Regulations.
6. As a result of the PMS in the market for the Goods Concerned and in the input markets, Thomas Dudley Ltd. considers that the prices of all Chinese producers and exporters are affected. Thus, a finding of a PMS necessarily triggers the construction of the normal value in accordance with Regulation 8 of the Trade Remedies Regulations.
7. Thomas Dudley Ltd. will highlight the distortions present in the following markets:
 - (1) Raw materials used in the production of cast iron articles;
 - (2) Steel market;
 - (3) Energy;

- (4) Labour;
- (5) Cross-cutting distortions;
- (6) Land; and,
- (7) Capital.

8. Each issue will be discussed in turn.

(1) Distortions affecting the prices of raw materials used in the production of cast iron articles

9. The main raw materials used in the production of the Goods Concerned are pig iron, iron and steel scrap, coke of coal and ferro-alloys. The prices for these raw materials in China are significantly distorted.
10. CISA, the China Iron and Steel Association, assists enterprises in the setting of prices and the coordination of production. CISA has pushed tax changes to boost domestic supply of steel scrap. In 2021 it was reported that CISA called for an increase in VAT rebate ratios for domestic steel scrap and the removal of import tariffs on steel scrap.¹ Moreover, China still imposes a 40% export tariff on waste scrap of iron and steel (HS 720449).² The practice of imposing export duties drives down domestic prices, allowing the downstream industry in China to undercut international prices of the downstream products. As iron and steel scrap make up around 25-35% of the total cost of production of cast iron articles, this affects the price of cast iron articles in China and creates a PMS.
11. As of May 1, 2021, China cancelled import tariffs for pig iron, crude steel, recycled steel raw materials and ferro-chrome. Export tariffs were also increased for these products with a 25% tariff imposed on ferro-silicon exports and 15% on high-purity pig iron.³ In July 2021 the Ministry of Finance announced an increase in its export tariffs to 20% for pig iron and 40% for ferro-chrome.⁴ These policy measures increase the domestic supply of these raw materials, distorting the domestic price which reflects State intervention rather than market forces. The PRC still imposes a 20% export tariff on pig iron (HS 720110).⁵ These raw materials are used in the production of cast iron articles. Distortions affecting the price of

¹ Argus, 'CISA pushes tax changes to boost China steel scrap use' (03 February 2021) accessible at: <https://www.argusmedia.com/en/news/2183369-cisa-pushes-tax-changes-to-boost-china-steel-scrap-use> (last accessed: 17 February 2023)

² See Annex 1

³ BEROE, 'China's New Trade Tax Regime: A Shift in the steel landscape' (20 June 2021) Accessible at: <https://www.beroeinc.com/article/chinas-new-trade-tax-regime-a-shift-in-the-steel-landscape/> (last accessed: 17 February 2023)

⁴ FastMarkets, 'NEWSBREAK: China to increase export taxes on pig iron, ferro-chrome' (July 29 2021) accessible at: <https://www.fastmarkets.com/insights/newsbreak-china-to-increase-export-taxes-on-pig-iron-ferro-chrome#:~:text=The%20export%20tariff%20for%20pig,20%25%2C%20the%20ministry%20said.> (last accessed on 17 February 2023); The State Council of the PRC, 'China raises export tariffs on steel products to push industrial upgrading' accessible at: http://english.www.gov.cn/statecouncil/ministries/202107/29/content_WS6102a001c6d0df57f98ddc8f.html (last accessed on 17 February 2023)

⁵ See Annex 1

such raw materials therefore creates a PMS in the market of the finished product under investigation.

12. With regard to iron ore, another key raw material used in the production of the Goods Concerned, the five-year plan drafted in 2021 seeks to slash reliance on imported iron ore and achieve iron ore ‘self-sufficiency’. In order to achieve this the NRDC has said that companies will be encouraged to boost domestic production.⁶ The NRDC has commented on the roadmap for the development of the iron and steel industry stating that: ‘iron ore is an important strategic resource related to economy and people’s livelihood’, such that the establishment of a system for the reserves of iron ore output and mineral lands will ‘become an important regulatory measure to stabilize iron ore market price and ensure the safety of the industrial chain’.⁷ The State in China increases the availability of resources in this sector to artificially lower prices. Thomas Dudley Ltd. therefore considers that iron ore is subject to a PMS within the meaning of Regulation 7(4). As iron ore is a raw material used in the production of the product concerned, this creates a PMS in the market in China for cast iron articles.

(2) Distortions in the steel market

13. The steel market in China is significantly distorted. Persistent Government intervention in the steel raw materials market has an impact on downstream markets such as the market for cast iron articles.
14. In previous European Union anti-dumping investigations, the Commission has found that the:

*“Chinese system of high export duties and no VAT reimbursement for export of raw materials has essentially led to a situation where Chinese raw material prices continue to be the result of State intervention, and will, in all likelihood continue to provide in the future a support to the Chinese producers of seamless stainless steel pipes and tubes”.*⁸
15. As highlighted above, steel scrap was still subject, in 2022 to an export tariff of 40% which supports Chinese exporters of the Goods under investigation.
16. Furthermore, the distortions in the steel market in China have been recognised by other National Investigation authorities, namely Canada and Australia. In 2021, the Australian Commission confirmed its position that a particular market situation exists in the steel market

⁶ Financial Review, ‘China’s five-year plan to slash Australian iron ore imports’ (May 22, 2021) accessible at: <https://www.afr.com/world/asia/china-s-five-year-plan-to-slash-australian-iron-ore-imports-20210520-p57tq9> (last access, 17 February 2023)

⁷NRDC, ‘China issues roadmap for high-quality development of iron and steel industry’ (People’s Daily / Updated March 25, 2022) accessed at: https://en.ndrc.gov.cn/news/mediarources/202203/t20220325_1320408.html (last accessed 17 February 2023)

⁸Commission Regulation (EU) No 627/2011 of 27 June 2011 imposing a provisional anti-dumping duty on imports of certain seamless pipes and tubes of stainless steel originating in the People’s Republic of China, OJ L 29.6.2011.

as a result of distortive Government practices affecting ‘a number of key inputs in the steel making process, including coking coal, coke, iron ore and scrap steel.’⁹ In 2018, the Canadian CBSA also confirmed its finding that “domestic prices are substantially determined by the GOC; and there is sufficient reason to believe that the domestic prices are not substantially the same as they would be in a competitive market.”¹⁰

17. In 2017 the European Commission imposed definitive countervailing duties on imports of non-alloy or other alloy steel originating in China. On the basis of evidence from the Government of China, the Commission concluded that the “supply of domestic coking coal is influenced by State intervention”¹¹.
18. The OECD has outlined the various Chinese subsidization programmes from which the steel industry in China benefits.¹² The OECD has also analysed the presence of SOEs in the Chinese steel sector to find that a significant share of steelmaking capacity in China is state-owned.¹³
19. Thomas Dudley Ltd. therefore considers that the price of steel in China reflects non-commercial factors meaning that a PMS exists in this market.

(3) Distortions in the energy market

20. The production of cast iron articles is energy intensive. As concluded by the TRA in the AD0012 anti-dumping case on aluminium extrusions from China,¹⁴ a PMS exists in relation to energy costs in China as energy prices in the PRC “reflect non-commercial factors”.
21. China is the world’s largest electricity producer,¹⁵ and 50% of generation capacity is state-owned. Prices are fixed by the State. The Department of Pricing in the National Development and Reform Commission (NDRC)¹⁶ is responsible for overseeing prices in China. The prices

⁹ Statement of Essential Facts No. 550: Alleged Dumping of precision pipe and tube steel exported to Australia from The People’s Republic of China, the Republic of Korea, Taiwa and the Socialist Republic of Vietnam (1 June 2021), Page 45, accessible at : https://www.industry.gov.au/sites/default/files/adc/public-record/550_-_057_-_report_-_statement_of_essential_facts_-_sef_550_0.pdf

¹⁰ Canada Border Services Agency, ‘Statement of Reasons concerning the final determinations with respect to the dumping and subsidizing of Cold-rolled steel from China, South Korea and Vietnam’ CRS 2018 IN (15 November 2018), Recital [133]

¹¹ Commission Implementing Regulation (EU) 2017/969 of 8 June 2017 imposing definitive countervailing duties on imports of certain hot-rolled flat products of iron, non-alloy or other alloy steel originating in the People’s Republic of China OJ L 146/17, Recital 275

¹² OECD (1 September 2020), “Steel Subsidies and government support measures: a progress report”, DSTI/SC(2020)11

¹³ OECD (10 March 2022), “Interim report providing preliminary statistics on a sample of steel enterprises obtained by linking the OECD Steel and Subsidy Databases”, DSTI/SC(2022)6

¹⁴ TRA, Statement of Essential Facts AD0012: Aluminium Extrusions from China, page 35

¹⁵ See Commission Staff Working Document on Significant Distortion in the Economy of the People’s Republic of China for the purposes of Trade Defence Investigations, Brussels, 20.12.2017 SWD(2017) 483 final/2, page 217; See also World Trade Organisation, Trade Policy Review: China, 15 September 2021 WT/TPR/S/415, accessible at: < https://www.wto.org/english/tratop_e/tpr_e/s415_e.pdf>

¹⁶ The NDRC is also the body responsible for the drafting of the five-year plans and is central to economic planning in China.

- for electricity and domestic natural gas are regulated by NDRC and according to the Chinese government set on the basis of a procedure that includes cost investigation, expert appraisal, public hearings, and final price determination and publication.¹⁷
22. The WTO also reported in 2021 that price controls exist in the energy sector in China. Such price controls may take the form of “government-set prices” or government-guided prices” and a variety of products/services are subject to such price controls including *electricity transmission and distribution*.¹⁸ As the TRA has previously recognised, under the Price Law of the PRC, the Government and the National Development and Reform Commission (NDRC) may enforce Government-set prices.
 23. This clearly demonstrates that energy prices are not market-based and are largely still controlled by the State.
 24. China also provides considerable subsidies for the production of coal resulting in an oversupply of coal powered electricity.¹⁹ Government policies over-incentivise coal power investment and have made coal power generation ‘almost risk-free’. In particular, China implemented a policy whereby payback of investment plus a reasonable profit margin was guaranteed for each coal-fired power plant. Coal is used in the production of cast iron articles meaning that the distortions present in this factor of production distorts the price of cast iron articles in China.

(4) Distortions in the labour market

25. The production of cast-iron articles is labour intensive with direct labour accounting for around 15-20% of the total cost of production. The existence of distortions in the labour market in China distorts the final price of cast-iron articles in China.
26. There is no market-based wage system in China. China’s Trade Union Law does not allow for the independent operation of a trade union.²⁰ The only legally recognized trade union in China is the ACFTU which is closely tied to the CCP and the State. Wages therefore do not result from normal market forces or negotiation between companies and the work force. Furthermore, the freedom of association and the right to strike – fundamental conditions to arrive at equitable labour market outcomes – were removed from the Chinese constitution in 1982, and no other laws or regulations have explicitly permitted such right. The TRA has acknowledged that in China trade unions, “cannot operate independently and do not permit strike action”.²¹

¹⁷ Staff Working Document, page 221.

¹⁸ SEF AD0012, Page 35 and 36; WTO, Trade Policy Review: China, page 95

¹⁹ Staff Working document, page 232

²⁰ Staff Working Document, page 343

²¹ AD0012 Final Determination, paragraph 151

27. The Chinese government also controls access to the labour market by means of residence permits.

The [United Nations Committee on Economic, Social, and Cultural Rights] notes with deep concern the de facto discrimination against internal migrants in the fields of employment, social security, health service, housing, and education that indirectly result[s], inter alia, from the restrictive national household registration system (hukou) which continues to be in place despite official announcements regarding reforms.²²

28. Workers without a legal residence permit can be, and are, discriminated by employers. This pool of illegal internal migrants employed in enterprises distorts the overall employment situation in those enterprises.
29. The first reforms to the labour system fully controlled by the State were introduced in the 1980s. However, remnants of the old system are still in place, such as the hukou system having an impact on the mobility of workers, lack of the explicit right to strike, as well as the lack of independent collective bargaining.
30. Thomas Dudley Ltd. considers that the price of labour in China thus reflects non-commercial factors. A PMS therefore exists in the labour market in China.

(5) Cross-cutting distortions

31. ‘Cross-cutting distortions’ refers to those distortions affecting all markets in China, thus by definition also creating a PMS in the market of cast iron articles in China. The Chinese economic system is based on a ‘socialist market economy’ whereby the State and the Chinese Communist Party (CCP) hold a leading role in the economic governance of China. The extent of control by the State and the CCP in China across the economy, distorts all markets in China.
32. State ownership in China remains widespread especially in sectors considered important to the Chinese economy. This legal environment is conducive to distortive practices such as preferential access to finances, land, energy, protection by market access restrictions and leads to overcapacities in these encouraged industries.²³
33. The CCP is significantly involved in business decisions of Chinese enterprises. One of the ways in which the CCP exerts its control is through ‘party-cells’. Article 19 of the Chinese company law provides:

In a company, an organisation of the Communist Party of China shall be established to carry out the activities of the party in accordance with the charter of the Communist

²² United Nations Committee on Economic, Social, and Cultural Rights, Concluding Observations of the Committee on the Initial Report of the People’s Republic of China (including Hong Kong and Macao), May 13, 2005, pg 3.

²³ Commission Staff Working Document, page 21



*Party of China. The company shall provide the necessary conditions for the activities of the party organisation.*²⁴

34. The object and purpose of these cells is to ensure that decisions are made in compliance with party policy. The very presence of CCP cells distorts decision-making in Chinese enterprises as they act as the management or, at minimum, ensure management acts in accordance with the CCP policy. This has been recognised by the MI5.²⁵
35. The Applicant notes that the Director General of MI5, Ken McCallum warned²⁶, alongside FBI Director Chris Wray, in July 2022 of the growing threat of the Chinese Communist Party to the security interests of the United Kingdom. The warning was specifically directed at the need to protect the economies of the United Kingdom and the United States. A section of the presentation to UK business leaders was headed ‘Risks to your Business’. Here, the DG stated that *“the CCP adopts a whole-of-state approach in which businesses and individuals are forced by law to co-operate with the Party”*. Thomas Dudley Ltd. considers that the TRA must take this as evidence of the role of the CCP in controlling activities in all markets in China.
36. China’s five-year plans set forth China’s strategic intentions and objectives for economic development. They are designed to achieve the objectives of the CCP and the State and lay down many preferential policies intended to achieve these objectives. They are drafted by the NDRC, approved by the National People’s Congress, and implemented by all organs of the State. Compliance with the five-year plan is the measure of success for enterprises in China rather than the traditional measures of commercial success in a market economy.
37. The five-year plans indicate the broad development policy for the country, promoting (encouraging) certain categories of activities and discouraging or prohibiting others. Promoted sectors, have access to the resources necessary to implement the plan while the availability of resources for discourages sectors is restricted.
38. The 13th Five Year Plan relevant for raw materials mentioned the role of governmental decision-making on the sector’s development and included specific and detailed provisions with regard to different raw materials.²⁷ The plan set out that the government would support the reform of SOEs and actively encourage the development of mixed ownership enterprises. In addition, the Plan confirmed that the government would have a role in private initiatives. In other words, the State controls the supply, distribution, and ownership of raw materials.
39. It is the coordinated implementation of the five-year plans which has resulted in the massive build-up of overcapacity in many sectors. The OECD has confirmed the overcapacities

²⁴ Company Law of the People's Republic of China (adopted by NPC on December 29, 1993, amended in 1999, 2004, 2005 and 2013).

²⁵ See: <https://www.mi5.gov.uk/news/speech-by-mi5-and-fbi>

²⁶ See: <https://www.mi5.gov.uk/news/speech-by-mi5-and-fbi>

²⁷ Staff Working Document, page 274

pertaining to the steel sector.²⁸ In 2018 the French Chair of the 2018 OECD Ministerial Council Meeting stated that the members of the OECD “*share the view that severe excess capacity in key sectors such as steel and aluminium are serious concerns for the proper functioning of international trade*”.²⁹ Distortions in steel raw materials market have an impact on downstream markets such as the market for the Goods Concerned in this transition review – cast iron articles. As will be discussed in greater detail in the next section, the five-year plans also seek to artificially lower the domestic price of iron ore.³⁰ Iron ore is another key raw material used in the production of the Goods Concerned.

40. The 13th Five Year Plan ended at the end of 2020. However, the effects of the Plan are still seen today. Investments made during the 2010s (following the 12th and 13th Five Year Plans) will continue to come on stream in the 2020s.
41. The 14th Five-Year-Plan runs from 2021 to 2025. It is evident from a close reading of the 14th Five-Year-Plan that the State and the CCP will continue to manage and control the allocation of resources in the economy. Article VIII, headed ‘Deepen the Implementation of the Manufacturing Powerhouse’, makes it clear that the manufacturing industry remains a priority industry for the State in China. Section 4 thereof focuses on implementing ‘manufacturing cost and burden reduction actions.’³¹

(6) *Distortions in capital*

42. The Chinese government and Chinese SOEs play an important role in China’s economy. Access to capital is significantly distorted by the generous state financing of companies favoured by the state or those operating in favoured sectors.³² Generous financing takes the form of interest rates below market levels, generous guarantees and equity injections.
43. China’s Commercial Banking Law states that *commercial banks shall conduct their business of lending in accordance with the needs of the national economic and social development and under the guidance of the industrial policies of the State*.³³ Thus, decisions are not made on the commercial considerations but on the basis of strategic political considerations.
44. According to a paper published by the International Monetary Fund (IMF) in 2015, in China, “*entrenched is the system of implicit state guarantees covering financial institutions and*

²⁸ OECD, “Measuring distortions in international markets: The aluminium value chain” (2019), page 49;

²⁹ Ibid; OECD, “OECD Economic Surveys: China 2017” (2017) accessible at: http://dx.doi.org/10.1787/eco_surveys-chn-2017-en.

³⁰ Financial Review, ‘China’s five-year plan to slash Australian iron ore imports’ (May 22, 2021) accessible at: <https://www.afr.com/world/asia/china-s-five-year-plan-to-slash-australian-iron-ore-imports-20210520-p57tq9> (last access, 15 February 2023)

³¹ Center for Security and Emerging Technology, *Translation: Outline of the People’s Republic of China 14th Five-Year Plan for National Economic and Social Development and Long-Range Objectives for 2035*, accessible at: <https://cset.georgetown.edu/publication/china-14th-five-year-plan/>

³² Jurgen Matthes, “China’s market distortions and the impact of the Covid-19 crisis” (2020) Universität München, Vol 21, page 43

³³ Law of the People’s Republic of China on Commercial Banks (December 27, 2003, 2015 Amended), Article 34

*corporates (particularly state-owned), giving an easier access to credit to entities perceived to be backed by the government”.*³⁴ Despite recent reforms in China, the IMF has confirmed that implicit state guarantees are still pertinent which preserves this system of economic growth.

45. The Chinese capital market is also subject to distortions with regards to credit ratings. According to two studies published in 2016, 60% of all rated corporate bonds in China has been rated by a state-owned ratings agency.³⁵ Even ‘private’ ratings agencies are not fully independent of the State. According to one of these studies, one of the largest domestic credit rating agencies in China, Dagong Global Credit Rating, is ‘private’ from the standpoint of equity ownership but has its origins in the government and is led by a politically well-connected controlling shareholder whose business model is closely aligned with the policy objectives of the government.³⁶
46. In general, Chinese credit ratings do not provide a reliable estimation of the credit risk of the underlying asset. This is demonstrated by the fact that Chinese credit ratings are heavily skewed towards the highest end of the rating scale. According to the IMF, over 90% of Chinese bonds are rated AA to AAA by local rating agencies. This is not comparable to other markets, such as the EU or the US. For example, less than 2% of firms enjoy such top-notch ratings in the US market. Chinese credit rating agencies thus have very broad rating scales and tend to pool bonds with significantly different default risks into one broad rating category. This demonstrates that loan interest rates are often distorted.

(7) Distortions in land

47. All land is owned by the State in China and allocation is exclusively dependent on the State. The state in China allocates land to pursue specific political goals rather than it being allocated on the basis of free market principles. A paper from 2015 highlighted that China uses a “*command and control approach to manage urban land supply*” and that this system does not correspond to local demand.³⁷
48. China operates a land quota system. According to the same paper, the quota is “*allocated administratively to provinces and cities in a top-down, static, and rather arbitrary way*. The

³⁴ IMF, “Financial distortions in China: A general equilibrium approach” (2015) accessible at: <<https://www.imf.org/en/Publications/WP/Issues/2016/12/31/Financial-Distortions-in-China-A-General-Equilibrium-Approach-43492>>

³⁵ Lin, L.W. and Milhaupt, C.J. (2016). Bonded to the State: A Network Perspective on China’s Corporate Debt Market. Columbia Law and Economics Working Paper No.543, p. 20; Livingstone, M. Poon, W.P.H. and Zhou, (2017). Are Chinese Credit Ratings Relevant? A Study of the Chinese Bond Market and Credit Rating Industry, in Journal of Banking & Finance. p.9

³⁶ Lin, L.W. and Milhaupt, C.J. (2016). Bonded to the State: A Network Perspective on China’s Corporate Debt Market. Columbia Law and Economics Working Paper No.543, p. 20.

³⁷ Yuan Xiao and Jinhua Zhao, “Fixing China’s distorted urban land quota system” (Paulson Policy Memorandum, March 2015) < http://www.paulsoninstitute.org/wp-content/uploads/2017/01/PPM_Land-Quotas_Xiao-and-Zhao_English_R.pdf>

political importance of this or that city often plays a more critical role in determining quota distribution than their relative economic weight.”³⁸

49. Land use rights can be ‘granted’ or ‘allocated’. In both cases the decision on the transfer of land-use rights is made by local government bodies. The cost of land in China for favoured enterprises within the terms of the five-year plans is therefore significantly below international benchmarks for land allocation in market economies.
50. The authorities set the land-use right prices according to the Urban Land Evaluation System which instructs them among other criteria to consider also industrial policy when setting the price of industrial land.
51. A Chinese State Council notice from 2014, even recognised that China might be in breach of its international legal obligations and in particular the WTO rules:

It is necessary to focus on current situations, set clear priorities, resolutely abolish preferential policies that are in violation of laws and regulations to ensure that they are in line with the rules of the World Trade Organisation and China's commitments to the international community, and gradually standardise other preferential policies. [Article 2]

The following activities are strictly prohibited: reducing, waiving or deferring the levy of administrative and institutional fees and government funds on enterprises, or transferring land parcels to enterprises at discounted prices or zero land price in violation of applicable provisions. [Article 3]³⁹

52. However, these promises have not materialised.⁴⁰ This demonstrates that China’s quota system and preferential land allocation system, is in violation of international rules.
53. Access to land is clearly necessary for the production of the product under investigation. Thus, as the cost of land is artificially lowered, Chinese exporting producers operate in a distorted market.

Conclusions on Particular Market Situation

54. As demonstrated above, the main raw materials used in the production of the Goods Concerned are subject to significant distortions. These distortions create a PMS in the market for the Goods Concerned as they cause the market price to be artificially low or to reflect non-commercial factors.

³⁸ Yuan Xiao and Jinhua Zhao, “Fixing China’s distorted urban land quota system” (Paulson Policy Memorandum, March 2015) < http://www.paulsoninstitute.org/wp-content/uploads/2017/01/PPM_Land-Quotas_Xiao-and-Zhao_English_R.pdf>

³⁹ State Council Notice on cleaning up and standardising tax and other preferential policies State Council Legal Affairs Office 2014/62, accessible at: http://www.gov.cn/zhengce/content/2014-12/09/content_9295.htm

⁴⁰ Staff Working Document, page 210

55. A PMS also exists in the various input markets for the Goods Concerned. This is the case particularly with regards to steel, energy, labour, capital and land. Steel, energy and labour make up around 40% of the total cost of production of cast iron articles. As a PMS exists in each of these key input markets, the market price for cast iron articles is necessarily distorted and is not an appropriate comparable price within the terms of Regulation 7(1).
56. Furthermore, Thomas Dudley Ltd. has identified certain cross-cutting distortions which exist in the market in China. These distortions affect the prices across markets in China and therefore also contribute to the PMS in the Chinese cast iron articles market.
57. In conclusion, ample evidence has been provided demonstrating that the market for cast iron articles is distorted and affected by a PMS. Market players cannot operate in isolation from the existing distortions. Thus, the result is that a PMS affects all prices on the market in China, for all Chinese producers of the Goods Concerned. These prices cannot be deemed comparable prices for the determination of the normal value. Thomas Dudley Ltd. therefore considers that the normal value must be constructed for each Chinese producer of the Goods Concerned on the basis of Regulation 8 of the Trade Remedies Regulations.

