

Annex 1 - The particular market situation in China

Conditions that occurred at the transition review remain. This includes the particular market situation in China. Many factors across the economic system in China show that they are impacted by non-commercial factors. This includes the steel sector which research, completed by LSE and commissioned by the TRA, notes the “broad spectrum of direct and indirect government support measures targeted at companies operating within the PRC steelmaking value chain suggest that the prices set by producers which are directly or indirectly benefitting or have benefitted from these measures in the past are not determined by market forces.”¹

1. Legal framework

A “particular market situation” (“**PMS**”) is defined in Regulation 7(4) of The Trade Remedies (Dumping and Subsidisation) (EU Exit) Regulations 2019 as a situation where (a) “prices are artificially low”; (b) “there is significant barter trade”; or (c) “prices reflect non-commercial factors.” Chinese production enjoys artificially low prices and non-commercial factors including distortions to reported prices or costs, such as the costs of raw materials and energy, which are not the result of free market forces because they are affected by substantial government intervention.

There is abundant evidence that at least two (and possibly three) of the particular market situation conditions are met in this case.

2. Wire rod prices in China are artificially low

Chinese wire rod prices sit materially below competitive international levels even after neutral freight and logistics adjustments. Fastmarkets’ verified export assessments place Chinese mesh-grade wire rod at USD 497–508 per tonne FOB China (May–June 2025); adding conservative ocean freight, insurance and UK port costs of USD 65–75/t implies a delivered-UK range of USD 565–580/t. Over the same period, UK producer delivered prices for standard low-carbon wire rod averaged £545–£565/t (~ USD 690–715/t), and Northern Europe delivered assessments stood at €600–610/t (~ USD 650–660/t). This leaves a persistent USD 110–150/t (~15–20%) discount for Chinese material on a like-for-like delivered basis. The fact that Chinese prices remain so far below market benchmarks after accounting for normal commercial costs supports the conclusion that Chinese domestic prices are artificially low, satisfying the first limb of the PMS test.

3. Wire rod prices in China reflect non-commercial factors

That this is true is well demonstrated by information available in the public space and notably EU Commission’s findings in recent TDI investigations. By way of comparison, Article 2(6a)(c)² of the European Union’s regulation against dumped imports provides that “[w]here the Commission has well-founded indications of the possible existence of significant distortions as referred to in point (b) in a certain country or a certain sector in that country, and where appropriate for the effective application of this Regulation, the Commission shall produce, make public and regularly update a report describing the market circumstances referred to in point (b) in that country or sector.” To meet that obligation the European Commission issued a detailed report summarising non-commercial factors in the Chinese economy on 10 April 2024 (“Report”).³ The Report listed the various non-commercial factors referred to as distortions in the Report, that impact the Chinese economy – overall, and concerning specific sectors of the Chinese economy, including a dedicated chapter covering the Chinese steel sector.

¹ Trade Policy Hub, LSE Consulting, “Research into Market Distortions in the Steel Sector,” 23 February 2024 (“LSE Research”), available [here](#), Page 151. (See APPENDIX 1).

² Regulation (EU) 2016/1036 of the European Parliament and of the Council of 8 June 2016 on protection against dumped imports from countries not members of the European Union (codification) [2016] OJ L176/21 (“EU Basic Regulation”).

³ See Commission staff working document on significant distortions in the economy of the People's Republic of China for the purposes of trade defence investigations of 10 April 2024 (“Report”), available [here](#). (See APPENDIX 2).

3.1 Domestic prices and costs in China are the result of non-commercial factors

The foundation of the Chinese economic system and the concept of the so-called ‘socialist market economy’, is at odds with the notion of free play of market forces. The ‘socialist market economy’ concept is enshrined in the Chinese Constitution and determines the economic governance of China. The core principle is the “*socialist public ownership of the means of production, namely, ownership by the whole people and collective ownership by the working people.*” The State-owned economy is considered the “*leading force of the national economy*” and the State has the mandate “*to ensure its consolidation and growth.*”⁴

Consequently, the Chinese economy is designed to not only allow for substantial government intervention in the economy, but such interventions are *expressly mandated*. The notion of the supremacy of public ownership over the private one permeates the entire legal system and is emphasized as a general principle in all central pieces of legislation. Chinese property law is a prime example: it refers to the primary stage of socialism and entrusts the State with upholding the basic economic system under which public ownership plays a dominant role. Other forms of ownership are tolerated, with the law permitting them to develop side by side with State ownership.⁵

In addition, according to relevant Chinese legislation, the socialist market economy is developed under the leadership of the Chinese Communist Party (“CCP”). The structures of the Chinese State and of the CCP are intertwined at every level (legal, institutional, and personal), forming a superstructure in which the roles of the CCP and the State are indistinguishable.

Following an amendment of the Chinese Constitution in March 2018, the leading role of the CCP was given an even greater prominence by being reaffirmed in the text of Article 1 of the Constitution. In addition to the existing first sentence of the provision: “[t]he socialist system is the basic system of the People’s Republic of China” a new second sentence was inserted which reads: “[t]he defining feature of socialism with Chinese characteristics is the leadership of the Communist Party of China.”⁶

This illustrates the unquestioned and ever-growing control of the CCP over the economic system of China. This control is inherent to the Chinese system and goes well beyond the situation seen in other countries, where governments exercise broad macroeconomic control, *within* the boundaries of which free market forces are at play.

The Chinese State engages in an interventionist economic policy in pursuit of goals that coincide with the political agenda set by the CCP rather than reflect the prevailing economic conditions in a free market.⁷ The interventionist economic tools deployed by the Chinese authorities are manifold, including the system of industrial planning, the financial system, as well as various facets of the regulatory environment.

First, on the level of overall administrative control, the direction of the Chinese economy is governed by a complex industrial planning system which affects all economic activities within the country. The totality of these plans covers a comprehensive and complex matrix of sectors and cross-cutting policies and is present at all levels of government. Plans at provincial level tend to be fairly detailed while national plans tend to set somewhat broader targets. Plans also specify the toolbox used to support the relevant industries/sectors, as well as the timeframes in which the objectives need to be achieved. Some plans still contain explicit output targets, while this was a regular feature in previous planning cycles.

Under these plans, individual industrial sectors and/or projects are being singled out as (positive or negative) priorities, in line with the government priorities, and specific development goals are attributed to them (industrial upgrade, international expansion etc.). Economic operators, private and State-owned alike, must effectively adjust their business activities according to the constructed realities imposed by

⁴ Report — Chapter 2, p. 7.

⁵ Report — Chapter 2, p. 12 and p. 14.

⁶ See <http://en.pkulaw.cn/display.aspx?cgid=311950&lib=law>

⁷ Report – Chapter 2, p. 19-20.

the planning system. This is not only because of the formally binding nature of the plans. Crucially, the relevant Chinese authorities at all levels of government adhere to the system of plans and they use their vested powers accordingly, thereby inducing the economic operators to comply with the priorities set out therein.⁸

Second, on the level of allocation of financial resources, the financial system of China is dominated by the State-owned commercial banks⁹. Indeed, the entire financial system is being reformed to more closely align with the Government's industrial policy objectives rather than primarily assess the economic merits of a given project.¹⁰ Banks are expected to follow the guidance of the State's industrial policy under the PRC's Banking law.¹¹ This applies to the other components of the Chinese financial system, such as the stock markets, bond markets, private equity markets etc. Even though of lesser significance than the banking sector, these parts of the financial sector are institutionally and operationally set up in a manner not geared towards maximizing the efficient functioning of the financial markets but towards ensuring control and enabling interventions by the State and the CCP.¹²

Third, on the level of the regulatory environment, the interventions by the State in the economy take a number of forms. For example, the public procurement rules are regularly used in pursuit of policy goals other than economic efficiency, thereby clearly undermining market-based principles in the affected area. The applicable legislation specifically provides that public procurement shall be conducted in order to facilitate the achievement of goals designed by State policies. However, the nature of these goals remains undefined, thereby leaving broad margin of discretion to the decision-making bodies.¹³

Similarly, in the area of investments, the Chinese Government maintains significant control and influence over destination and magnitude of both State and private investments. Investment screening as well as various incentives, restrictions, and prohibitions related to investments are used by authorities as an important tool for supporting industrial policy goals, such as maintaining State control over key sectors or bolstering domestic industries.¹⁴

In sum, the Chinese economic model is based on certain basic axioms, which provide for and encourage many types of government interventions. Such substantial government interventions are at odds with the free play of market forces, resulting in a distortion of the effective allocation of resources in line with market principles.¹⁵

All available facts point to the conclusion that the particular market situation that exists in China meaning that prices reflect non-commercial factors, particularly prices in its steel market, including wire rod.

3.2 The steel sector is served to a significant extent by enterprises which operate under the ownership, control or policy supervision or guidance of the authorities of the exporting country.

Against the background of State intervention and dominance of State ownership in the Chinese economic model, State-owned enterprises ("SOEs") represent an essential part of the Chinese economy. The Government and the CCP maintain structures that ensure their continued influence over SOEs. The State party not only actively formulates and oversees the implementation of general economic policies by individual SOEs, but it also claims its rights to participate in operational decision-making in SOEs.

⁸ Report – Chapter 3, p. 43, 47-51.

⁹ Report – Chapter 6, p. 139.

¹⁰ Report – Chapter 6, p. 134-135.

¹¹ Report – Chapter 6, p. 149.

¹² Report – Chapter 6, p. 152 - 168.

¹³ Report – Chapter 7, p. 203- 204.

¹⁴ Report – Chapter 8, p. 207-208, 242-243.

¹⁵ Report – Chapter 2, p. 19-20; Report – Chapter 4, p. 69 and 99-100; Report – Chapter 5, p. 130-131.

This is typically done through the rotation of cadres between government authorities and SOEs, through presence of party members in SOEs executive bodies and of party cells in companies, as well as by shaping the corporate structure of the SOE sector.¹⁶ In exchange, SOEs enjoy a particular status within the Chinese economy. This status entails a number of economic benefits, in particular the shielding from competition and the preferential access to relevant inputs, including financing.¹⁷

Specifically in the steel sector a substantial degree of ownership by the Chinese Government persists. Six Chinese steel producers are ranked in the top ten of the world's largest steel producers, four are SOEs.¹⁸ The Chinese Government has consolidated the steel sector so that the split in terms of both productions and capacity so that 60% of the iron and steel production is private and 40% is SOE-owned. Such consolidation may have entailed forced mergers or the refusal of proposed mergers if they did not further the government's plans.¹⁹

With the high level of government intervention in the steel industry and a high share of SOEs in the sector, even privately owned steel producers are prevented from operating under market conditions. Indeed, both public and privately owned enterprises in the steel sector are also subject to policy supervision and guidance as explained below in this submission.

The State's control over and intervention in the steel sector are not excluded from the general framework described above. In fact, during the recent expiry review of the European Union's measures relating to wire rod imports from China, the EU found that many large producers of wire rod were SOEs, including Baoshan, Shougang, Hesteel, Jiangsu Shagang and Anshan Iron and Steel Group.²⁰ As discussed above the entire industry is impacted by non-commercial factors in China and are subject to the same ownership, control and policy supervision or guidance by the Chinese Government and hence do not operate in accordance with market principles.

3.3 State presence in firms allowing the State to interfere with respect to prices or costs

Apart from exercising control over the economy by means of ownership of SOEs and other tools, the Chinese State is in the position to interfere with prices and costs through State presence in firms. While the right to appoint and to remove key management personnel in SOEs by the relevant State authorities (as provided for in Chinese legislation) can be considered to reflect the corresponding ownership rights,²¹ the CCP cells in enterprises, state-owned and private alike, represent another channel through which the State can interfere with business decisions.

According to China's company law, a CCP organisation is to be established in every company, and the company is to provide the necessary conditions for the activities of the Party organisation. In the past, this requirement appears to have not always been followed or strictly enforced. However, since at least 2016, the CCP has reinforced its claim to control business decisions in SOEs as a matter of political principle. The CCP is also reported to exercise pressure on private companies to put 'patriotism' first and to follow Party discipline.²² In 2017, it was reported that Party cells existed in 70% of some 1.86 million privately owned companies, with growing pressure from the CCP organisations to have the final

¹⁶ Report – Chapter 3, p. 41-42 and Chapter 5, p. 124-130.

¹⁷ Report – Chapter 5, p. 120-123.

¹⁸ Report – Chapter 14, p. 399-400.

¹⁹ As was the case of the merger between the private company Rizhao and the SOE Shandong Iron and Steel in 2009, Reuters, China's Shandong Steel to take 67 pct stake in Rizhao -paper, 25 August 2009, available at: <https://www.reuters.com/article/steel-china-consolidation/chinas-shandong-steel-to-take-67-pct-stake-in-rizhao-paper-idUSSHA4836120090825/> and the refusal of the proposed merger between Shougang Corporation and Hesteel Group Co., Ltd, see Report, p. 400.

²⁰ Commission Implementing Regulation (EU) 2021/1805 of 12 October 2021 imposing a definitive anti-dumping duty on imports of wire rod originating in the People's Republic of China following an expiry review pursuant to Article 11(2) of Regulation (EU) 2016/1036 of the European Parliament and of the Council ("EU 2021 Wire Rod Review"), p. 7 para. 45.

²¹ Report – Chapter 5, p. 124.

²² Report – Chapter 3, p. 43-47.

say over business decision within their respective companies (See APPENDIX 3). These rules apply in general in the Chinese economy, including to the producers of wire rod and their suppliers.

The public documents of the State-owned producers sometimes stress the connection with the Chinese State. For example, Baoshan Iron & Steel (or Baosteel) stated in the 2016 Semi-Annual Report that “[t]he company committed itself to matching regional 13th Five Year planning and reached wide consensus with local governments in sharing resources, connecting urban industries and building ecological environment.”²³

Furthermore, the State’s presence and intervention in financial markets as well as in the provision of raw materials and inputs have a further distorting effect on the market.²⁴ Thus, the State presence in firms, including SOEs, in the steel and other sectors (such as the financial and input sectors) allow the Chinese Government to interfere with respect to prices and costs.

3.4 Public policies or measures discriminating in favour of domestic suppliers or otherwise influencing free market forces

The direction of the Chinese economy is to a significant degree determined by an elaborate system of planning which sets out priorities and prescribes the goals the central and local governments must focus on. Relevant plans exist at all levels of government and cover virtually all economic sectors, the objectives set by the planning instruments are of binding nature, and the authorities at each administrative level monitor the implementation of the plans by the corresponding lower level of government. Overall, the economic planning system in China results in resources being channelled to sectors designated as strategic or otherwise politically important by the Government, rather than being allocated through market forces.²⁵

The steel industry, including the production of wire rod, is regarded as a key industry by the Chinese Government.²⁶ This is confirmed by the numerous plans, directives and other documents focusing on steel, which are issued at national, regional and municipal level such as the 14th Five Year Plan (“FYP”) on developing scrap steel industry and 14th FYP on developing the raw materials industry.²⁷ The announcement of the raw materials plan states that the steel industry “has long served as the bedrock for the real economy.”²⁸ The main tasks and objectives set out in this plan cover all aspects of the industrial development of the sector.²⁹

The State Council Notice on the Action Plan for Continuous Improvement of Air Quality envisages support to enterprises transforming production to ultra-low emission processes in key industries including steel.³⁰ It also focuses on optimization of industrial structure, the promotion of green upgrading of industrial products, as well as the in- depth pollution control.³¹

²³ Baoshan Iron & Steel Co., Ltd 2016 Semi-annual Report, available at http://tv.baosteel.com/ir/pdf/report/600019_2016_2e.pdf. (See APPENDIX 4).

²⁴ Report – Chapters 14.3 to 14.5, p. 402-408

²⁵ Report – Chapter 4, p. 59-61; and LSE Research p. 77.

²⁶ Report, Part III, Chapter 14, p. 346.

²⁷ See Report – Table 4.3 14th FYPs and related policy documents on the central, provincial, and local / municipal level concerning the steel industry, p. 64.

²⁸ State Council of PRC, China unveils five-year plan to boost raw materials industry, 29 December 2021. Available http://english.www.gov.cn/statecouncil/ministries/202112/29/content_WS61cc59bcc6d09c94e48a2e25.html

²⁹ Report, Chapter 14, p. 384-393.

³⁰ Report – Chapter 14, p.396.

³¹ Ibid.

The *Catalogue for Guiding Industry Restructuring (2019 Edition)*³² (the “**Catalogue**”) lists iron and steel as particularly supported industries. In particular, the Catalogue encourages the:

“[d]evelopment and application of advanced technologies, such as accurate control of coke oven heating, resource utilization of by-products of flue gas desulfurization and denitrification, resource utilization of desulfurization waste water, advanced treatment and reuse of coking wastewater, carbon based materials of coal tar, needle coke made from coal pitch, high value-added utilization of coke oven gas, waste gas and circulating ammonia water, etc., as well as research, development, application and integration of low-grade pulverized coal drying and carbonization; research and application of advanced treatment and reuse of sewage, reuse of cold rolling wastewater, treatment and reuse of sintering flue gas desulfurization wastewater, etc..”

The applicability of the Catalogue was confirmed by the transition review of the EU’s countervailing duties in certain hot-rolled flat and coil products (“**HRFS**”) of iron, non-alloy or other alloy steel originating in China.³³ This investigation concluded that Chinese HRFS producers enjoyed benefits under a number of subsidy programs.

The Chinese Government further guides the development of the sector in accordance with a broad range of policy tools and directives related, *inter alia*, to market composition and restructuring, raw materials, investment, capacity elimination, product range, relocation, upgrading, VAT refunds, etc. Through these and other means, the Chinese Government directs and controls virtually every aspect in the development and functioning of the sector.³⁴ The current problem of overcapacity is arguably the clearest illustration of the implications of the Chinese Government’s policies for the industry and the resulting non-commercial factors.

In sum, the Chinese Government has measures in place to induce operators to comply with the public policy objectives of supporting particular industries, including the production of wire rod and the sourcing of raw materials used for producing it. Such measures impede market forces from operating normally.

3.5 The lack, discriminatory application or inadequate enforcement of bankruptcy, corporate or property laws

The Chinese bankruptcy system appears inadequate to deliver on its own main objectives such as to settle claims and debts fairly and to safeguard the lawful rights and interests of creditors and debtors. This appears to be rooted in the fact that, while the Chinese bankruptcy law formally rests on similar principles as corresponding laws in other countries, the Chinese system is characterised by systematic under-enforcement. The number of bankruptcies remains notoriously low in relation to the size of the country’s economy. This not least because the insolvency proceedings suffer from a number of shortcomings, which effectively function as a disincentive for bankruptcy filings. Moreover, the State plays a strong and active role in the insolvency proceedings, often having direct influence on their outcome.³⁵

³² Catalogue for Guiding Industry Restructuring (2019 Edition). VIII.2., available in English at https://www.industry.gov.cn/sites/default/files/adc/public-record/exhibit_d16.1_-_catalogue_for_guiding_industry_restructuring_-_en.pdf

³³ See paragraph 86 of Recommendation to the Secretary of State Case TS0018 Transition review of countervailing duties applying to certain hot-rolled flat and coil products originating in the People’s Republic of China (“**Transition Review HRF**”) and also see Recital 56 of 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 and amending Commission Implementing Regulation (EU) 2017/649 imposing a definitive anti-dumping duty on imports of certain hot-rolled flat products of iron, non-alloy or other alloy steel originating in the People’s Republic of China, EU Official Journal L146 of 9 June 2017, p. 17 (“**HRF CVD Regulation**”).

³⁴ Report – Chapter 14, p. 416.

³⁵ Report – Chapter 6, p. 174-178.

In addition, the shortcomings of the system of property rights are particularly obvious in relation to ownership of land and land-use rights in China.³⁶ All land is owned by the Chinese State (collectively owned rural land and State-owned urban land). Its allocation remains solely dependent on the State. There are legal provisions that aim at allocating land use rights in a transparent manner and at market prices, for example by introducing bidding procedures. However, these provisions are regularly not respected, with certain buyers obtaining their land for free or below market rates.³⁷ Moreover, authorities often pursue specific political goals including the implementation of the economic plans when allocating land.³⁸

Therefore, the Chinese bankruptcy and property laws do not appear to work properly, resulting in non-commercial factors in the economy by maintaining insolvent firms afloat and by not providing land at market conditions. Those considerations, on the basis of the evidence available, appear to be fully applicable also in the steel sector.

3.6 Wage costs being distorted

A system of market-based wages cannot fully develop in China as workers and employers are impeded in their rights to collective organisation. China has not ratified a number of essential conventions of the International Labour Organisation (“ILO”), in particular those on the freedom of association and on collective bargaining.³⁹ Under national law, only one trade union organisation is active. However, this organisation lacks independence from the State authorities and its engagement in collective bargaining and protection of workers’ rights remains rudimentary.⁴⁰

Moreover, the mobility of the Chinese workforce is restricted by the household registration system, which limits access to the full range of social security and other benefits to residents of a given administrative area. This typically results in workers who are not in possession of the local residence registration finding themselves in a vulnerable employment position and receiving lower income than the holders of the residence registration.⁴¹ Those findings lead to the distortion of wage costs in China.

The steel sector in China is clearly affected by the distortions in wage costs both directly (when making the product concerned) as well as indirectly (when having access to capital or inputs from companies subject to the same labour system in China) due to the influence of non-commercial factors. In 2016, China introduced a “Employment Stabilization Subsidy” to support employment in the steel industry during economic contraction. This ultimately distorts market optimisation in the workforce.⁴²

3.7 Access to finance granted by institutions which implement public policy objectives or otherwise not acting independently of the State

Access to capital for corporate actors in China is subject to various non-commercial factors.

Firstly, the Chinese financial system is characterised by the strong position of State-owned banks,⁴³ which, when granting access to finance, take into consideration criteria other than economic viability of a project.

Similarly, to non-financial SOEs, the banks remain connected to the State, not only through ownership but also via personal relations (i.e., the top executives of the large State-owned financial institutions are ultimately appointed by the CCP)⁴⁴ and, again just like non-financial SOEs, the banks regularly

³⁶ Report – Chapter 9, p. 260-261.

³⁷ Report – Chapter 9, p. 257-260.

³⁸ Report – Chapter 9, p. 248-249.

³⁹ Report – Chapter 13, p. 360-361.

⁴⁰ Report – Chapter 13, p. 366.

⁴¹ Report – Chapter 13, p. 370-373 and LSE Research 133.

⁴² LSE Research – p. 79.

⁴³ Report – Chapter 6, p. 179.

⁴⁴ Report – Chapter 6, p. 146-148.

implement public policies designed by the Government.⁴⁵ In doing so, the banks comply with an explicit legal obligation to conduct their business in accordance with the needs of the national economic and social development and under the guidance of the industrial policies of the State.⁴⁶ This is compounded by additional existing rules, which direct finances into sectors designated by the government as encouraged or otherwise important.⁴⁷

While it is acknowledged that various legal provisions refer to the need to respect normal banking behaviour and prudential rules such as the need to examine the creditworthiness of the borrower, the overwhelming evidence, including findings made during trade defence investigations, suggests that these provisions play only a secondary role in the application of the various legal instruments.

Furthermore, bond and credit ratings are often distorted for a variety of reasons, including the fact that the risk assessment is influenced by the firm's strategic importance to the Chinese Government and the strength of any implicit guarantee by the Government. Estimates strongly suggest that Chinese credit ratings systematically correspond to lower international ratings.

Secondly, borrowing costs have been kept artificially low to stimulate investment growth. This has led to the excessive use of capital investment with ever lower returns on investment. This is illustrated by the recent growth in corporate leverage in the state sector despite a sharp fall in profitability, which suggests that the mechanisms at work in the banking system do not follow normal commercial responses.

Thirdly, although nominal interest rate liberalization was achieved in October 2015, price signals are still not the result of free market forces but are influenced by Government induced non-commercial factors in borrowing. Indeed, the share of lending at or below the benchmark rate still represents 34% of all lending in 2022 and access to this capital is markedly distorted as SOEs and 'political connected' firms are more easily able to obtain loans.⁴⁸ Artificially low interest rates result in under-pricing, and consequently, the excessive utilization of capital.

Overall credit growth in China indicates a worsening efficiency of capital allocation without any signs of credit tightening that would be expected in an undistorted market environment. As a result, non-performing loans should have increased rapidly in the past years.⁴⁹ Faced with a situation of increasing debt-at-risk, the Chinese Government has opted to avoid defaults. Consequently, bad debt issues have been handled by rolling over debt, thus creating so called 'zombie' companies, or by transferring the ownership of the debt (e.g., via mergers or debt-to-equity swaps) without necessarily removing the overall debt problem or addressing its root causes.⁵⁰ An example of this non-commercial factor impacting the debt markets in China was reported in 2016 that 40% of new debt in China went to paying interest on existing debt as opposed to productive investments.⁵¹

In essence, despite the steps that have been taken to liberalize the market, the corporate credit system in China is affected by significant systemic issues and non-commercial factors resulting from the continuing pervasive role of the state in the capital markets. The substantial Government intervention in the financial system leads to the market conditions being severely affected at all levels, including within the Chinese wire rod industry.

3.8 Systemic nature of the non-commercial factors described

The European Commission has noted that the non-commercial factors, described as distortions in the Report, are not limited to the steel sector. On the contrary, the evidence available shows that the facts

⁴⁵ LSE Research – p. 131.

⁴⁶ Report – Chapter 6, p. 14-150.

⁴⁷ Report – Chapter 6, p. 151-152, 156-159, 165-168.

⁴⁸ Report – Chapter 11, p. 300.

⁴⁹ Report – Chapter 11, p. 306-307.

⁵⁰ Report – Chapter 11, p. 308-314.

⁵¹ LSE Research – P 131.

and features of the Chinese system as described above as well as in Part A of the Report apply throughout the country and across the sectors of the economy.

In order to produce wire rod, a range of inputs is needed. There is no evidence in the public space that these inputs are sourced outside of China. When wire rod producers purchase/contract these inputs, the prices they pay (and which are recorded as their costs) are evidently exposed to the same systemic non-commercial factors mentioned before. For example, suppliers of inputs employ labour that is subject to non-commercial factors. They may borrow money that is subject to the non-commercial factors in the financial sector/capital allocation. In addition, they are subject to the planning system, which applies across all levels of government and sectors.

As a consequence, not only can the domestic sales prices of wire rod not be used, but all the input costs (including steel billets (and the underlying raw materials, i.e., iron ore, coke, scrap and ferroalloys), energy⁵², land, financing, labour, etc.) are also tainted because their price formation is affected by substantial government intervention, as described in Parts A and B of the Report and below. Indeed, the Government interventions described in relation to the allocation of capital, land, labour, energy and raw materials are present *throughout* China. This means, for instance, that an input that in itself was produced in China by combining a range of factors of production is exposed to several cumulative non-commercial factors. The same applies for the input to their input and so forth.

3.9 Non-commercial factors in upstream raw material markets (iron ore and coke)

The Report found that iron ore was subject to export duties in the past.⁵³ Not at least, the Chinese Government itself explained that coal export volumes are restricted through export quotas and exporters need to apply for an export license.⁵⁴

Indeed, starting in 2022 China continued to centralise the purchasing of raw materials by setting up a SOE to pool the demand from the fragmented steel industry and negotiate on their behalf. In opening the new SOE, China is aiming to increase negotiation power and lower prices for these key inputs to steelmaking for their steelmakers.⁵⁵

Concerning coking coal, China imposed an export tax until 2018, for then switching to a non-automatic export licensing requirement in 2019⁵⁶ through 2020. The measures were then extended in 2021. It should be noted that the OECD database only includes measures that can be substantiated from official sources,⁵⁷ which casts doubt on its comprehensiveness in relation to the Chinese measures. Finally, in 2018, the G20 Ministerial Report by the Global Forum on Steel Excess Capacity confirmed that, in China, production inputs such as iron ore and coking coal were provided below market price, and that China imposed export duties on, among other, iron ore.⁵⁸

This shows that, albeit with varying measures, the Chinese Government has been distorting market for essential inputs for the wire rod production, namely iron ore and coke.

3.10 Recent trade remedy investigations have also confirmed the existence of particular market situation in the steel markets in China

Recent trade remedy investigations in the EU and elsewhere have also confirmed the existence of significant distortions, non-commercial factors and various forms of subsidization available to the Chinese wire rod industry which amount to a particular market situation. The Applicant would invite

⁵² Exports from China are also encouraged by the Chinese central (and local) governments via discounted energy prices (for volumes designated for exports) and/or discounted logistic costs

⁵³ Report – Chapter 14, p. 406.

⁵⁴ HRF CVD Regulation, para. 274.

⁵⁵ LSE Research – Page 126.

⁵⁶ OECD, “Compare your Country, Trade in Raw Materials 2025”, available [here](#).

⁵⁷ OECD, “Methodological note to the Inventory of Export Restrictions on Industrial Raw Materials,” December 2022, available [here](#). (See APPENDIX 5).

⁵⁸ G20, “Global Forum on Steel Excess Capacity Ministerial Report,” September 2018, available [here](#). (See APPENDIX 6).

the TRA to take into consideration the findings of the recently concluded (or still ongoing) investigations in the EU and the U.S. where the respective authorities have addressed the issues of non-commercial factors or subsidization in the respective markets.

In anti-dumping expiry review concerning imports of wire rod from China in 2021, the European Commission concluded the existence of significant distortions and confirmed the application of Article 2(6a)(a) of the EU Basic Regulation.⁵⁹ The Commission reached a similar conclusion in the recently concluded AD expiry review concerning imports of HRF from China (HRF being another steel product which uses many of the same inputs as wire rod so would be impacted by similar non-commercial factors).⁶⁰

Of similar importance are the findings of the recently concluded anti-subsidy expiry review concerning imports of HRF from China into the EU⁶¹ and the U.S. CVD anti-subsidy expiry review concerning imports of wire rod products from China where the International Trade Commission and the U.S. DOC confirmed the abundance of subsidy programs available to Chinese wire rod manufacturers. Indeed, on 26 August 2025, the U.S. DOC issued its final determination confirming that subsidization would continue or reoccur should the measures be removed and finding a subsidy margin of up to 193.31% on wire rod imports from China.⁶²

In the Applicant's view, the findings in all these investigations are directly relevant to the issue of whether a particular market situation exists in the Chinese wire rod market.

4. Conclusion

The analysis laid out above, which includes an examination of all the available evidence relating to China's intervention in its economy in general as well as in the steel sector specifically, shows that prices or costs, including the costs of raw materials, energy and labour, are not the result of non-commercial forces because they are affected by substantial Government intervention within the meaning of "particular market situation" as described in Regulation 7(4) of the D&S Regulation. On that basis, it is not appropriate to use domestic prices and costs to establish normal value in this review.

⁵⁹ EU 2021 Wire Rod Review, p. 5 para. 39.

⁶⁰ Commission Implementing Regulation (EU) 2023/1122 of 7 June 2023 imposing a definitive anti-dumping duty on imports of certain hot-rolled flat products of iron, non-alloy or other alloy steel originating in People's Republic of China following an expiry review pursuant to Article 11(2) of Regulation (EU) 2016/1036 of the European Parliament and of the Council, EU OJ L148 of 8 June 2023, p. 45 para. 77.

⁶¹ Commission Implementing Regulation (EU) 2023/1123 of 7 June 2023 imposing a definitive countervailing duty on imports of certain hot-rolled flat products of iron, non-alloy or other alloy steel originating in People's Republic of China following an expiry review pursuant to Article 18 of Regulation (EU) 2016/1037 of the European Parliament and of the Council, EU OJ L 148 of 8 June 2023, p. 84.

⁶² Federal Register Notice on Carbon and Certain Alloy Steel Wire Rod From the People's Republic of China: Final Results of the Expedited Second Sunset Review of the Countervailing Duty Order, 26 August 2025, available [here](#).