Canada Border Services Agency | Agence des services frontaliers du Canada

OTTAWA, September 8, 2026

FGM 2026 IN

STATEMENT OF REASONS

Concerning the final decisions with respect to the dumping and subsidizing of

FORGED GRINDING MEDIA ORIGINATING IN OR EXPORTED FROM CHINA

DECISIONS

On August 24, 2026, pursuant to paragraph 41(1)(a) of the *Special Import Measures Act*, the Canada Border Services Agency terminated the subsidy investigation in respect of forged grinding media exported from the People's Republic of China (China) by Jiangyin Xingcheng Magotteaux Steel Balls Co., Ltd. and Tangshan ZWell Equipment Manufacturing Co., Ltd.

On the same day, pursuant to paragraph 41(1)(b) of the *Special Import Measures Act*, the Canada Border Services Agency made a final determination respecting the dumping of forged grinding media originating in or exported from China and a final determination of subsidizing in respect of forged grinding media originating in or exported from China, with respect to exporters for which the subsidy investigation has not been terminated.

Cet *Énoncé des motifs* est également disponible en français.
This *Statement of Reasons* is also available in French.

Canada

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SUMMARY

[1] On November 20, 2025, the Canada Border Services Agency (CBSA) received a written complaint from Moly-Cop Canada (Kamloops, British Columbia) (hereinafter, "the complainant") alleging that imports of certain forged or stamped grinding media (hereinafter, "FGM") originating in or exported from the People's Republic of China (China) are being injuriously dumped and subsidized.

[2] On December 11, 2025, pursuant to paragraph 32(1)(a) of the *Special Import Measures Act* (SIMA), the CBSA informed the complainant that the complaint was properly documented. On December 19, 2025, the CBSA informed the Government of China that a properly documented complaint had been filed. At that time, the Government of China was provided with a non-confidential version of the subsidy complaint and was invited for consultations pursuant to Article 13.1 of the *Agreement on Subsidies and Countervailing Measures*, prior to the initiation of the subsidy investigation. The CBSA did not receive any request for consultations.

[3] The complainant provided evidence to support the allegations that certain FGM from China have been dumped and subsidized, as well as evidence that discloses a reasonable indication that the dumping and subsidizing have caused injury or are threatening to cause injury to the Canadian industry producing like goods.

[4] On January 9, 2026, pursuant to subsection 31(1) of SIMA, the CBSA initiated investigations respecting the dumping and subsidizing of FGM from China.

[5] Upon receiving notice of the initiation of the investigations, the Canadian International Trade Tribunal (CITT) commenced a preliminary injury inquiry, pursuant to subsection 34(2) of SIMA, into whether the evidence discloses a reasonable indication that the dumping and subsidizing of the above-mentioned goods have caused injury or are threatening to cause injury to the Canadian industry producing the like goods.

[6] On March 11, 2026, pursuant to subsection 37.1(1) of SIMA, the CITT made a preliminary determination that there is evidence that discloses a reasonable indication that the dumping and subsidizing of FGM from China have caused injury to the domestic industry.

[7] On May 25, 2026, as a result of the CBSA's preliminary investigations and pursuant to subsection 38(1) of SIMA, the CBSA made preliminary determinations of dumping and subsidizing of FGM originating in or exported from China.

[8] On the same date, pursuant to subsection 8(1) of SIMA, provisional duties were imposed on imports of dumped and subsidized goods that are of the same description as any goods to which the preliminary determinations apply, and that are released during the period commencing on the day the preliminary determinations were made and ending on the earlier of the day on which the CBSA causes the investigations in respect of any goods to be terminated pursuant to subsection 41(1) of SIMA or the day the CITT makes an order or finding pursuant to subsection 43(1) of SIMA.

[9] Based on the available evidence, the CBSA is satisfied that FGM originating in or exported from China by Jiangyin Xingcheng Magotteaux Steel Balls Co., Ltd. and Tangshan ZWell Equipment Manufacturing Co., Ltd. have been subsidized by an insignificant amount. Therefore, on August 24, 2026, the CBSA terminated the subsidy investigation pursuant to paragraph 41(1)(a), in respect of those goods.

[10] On the same day, pursuant to paragraph 41(1)(b) of SIMA, the CBSA made a final determination respecting the dumping of forged grinding media originating in or exported from China and a final determination of subsidizing in respect of forged grinding media from China, with respect to exporters for which the subsidy investigation has not been terminated.

[11] The CITT's inquiry into the question of injury to the Canadian industry is continuing, and the CITT will issue its decision by September 22, 2026. Provisional anti-dumping and countervailing duties will continue to be imposed on the subject goods from China until the CITT renders its decision. However, provisional countervailing duties will not be imposed on imports of goods for which the subsidy investigation has been terminated. Any provisional duties paid or security posted on imports of goods for which the subsidy investigation has been terminated will be refunded, as appropriate.

PERIOD OF INVESTIGATION

[12] The Period of Investigation (POI) for the investigations is October 1, 2024 to September 30, 2025.

PROFITABILITY ANALYSIS PERIOD

[13] The Profitability Analysis Period (PAP) for the investigations is October 1, 2024 to September 30, 2025.

INTERESTED PARTIES

[14] Interested parties were notified at the initiation of the investigations and were sent Requests for Information (RFI). Refer to the Statement of Reasons—Initiation of investigations: Forged Grinding Media (FGM 2026 IN) for additional information on interested parties.

Exporters

[15] The following five exporters provided substantially complete responses to the CBSA's Dumping, Section 20 and Subsidy RFIs:

- Changshu Feifan Metalwork Co., Ltd.[1]
- Changshu Longte Grinding Ball Co. Ltd.[2];
- JiangyinXingcheng Magotteaux Steel Balls Co., Ltd.[3];
- Oriental Casting and Forging Co., Ltd.[4]; and
- Tangshan ZWell Equipment Manufacturing Co., Ltd.[5]

On-site verification was conducted at Changshu Longte Grinding Ball Co. Ltd's premises in June 2026.

[16] The CBSA also received responses to the CBSA's Dumping and Subsidy[6] RFI from the following input suppliers, producers, and vendors:

- Changshu Longteng Special Steel Co., Ltd.[7];
- Changshu Longte International Trade Co., Ltd.[8];
- Chengde Jianlong Special Steel Co., Ltd.[9];
- Daye Special Steel Co., Ltd.[10];

[1] Exhibits 106 (PRO) & 107 (NC) – Response to Section 20 RFI from Changshu Feifan Metalwork Co., LTD; Exhibits 110 (PRO) & 111 (NC) – Response to Dumping RFI from Changshu Feifan Metalwork Co., LTD; Exhibits 129 (PRO) & 130 (NC) – Response to Subsidy RFI from Changshu Feifan Metalwork Co., LTD

[2] Exhibits 052 (PRO) & 053 (NC) – Response to Section 20 RFI from Changshu Longte Grinding Ball Co., Ltd; Exhibits 056 (PRO) & 057 (NC) – Response to Dumping RFI from Changshu Longte Grinding Ball Co., Ltd; Exhibits 131 (PRO) & 132 (NC) – Response to Subsidy RFI from Changshu Longte Grinding Ball Co., Ltd.

[3] Exhibits 086 (PRO) & 087 (NC) – Response to Section 20 RFI from JiangyinXingcheng Magotteaux Steel Balls Co., Ltd.; Exhibits 100 (PRO) & 101 (NC) – Response to Dumping RFI from JiangyinXingcheng Magotteaux Steel Balls Co., Ltd.; Exhibits 094 (PRO) & 095 (NC) – Response to Subsidy RFI from JiangyinXingcheng Magotteaux Steel Balls Co., Ltd.;

[4] Exhibits 119 (PRO) & 120 (NC) – Response to Section 20 RFI from Oriental Casting and Forging Co., Ltd.; Exhibits 123 (PRO) & 124 (NC) – Response to Dumping RFI from Oriental Casting and Forging Co., Ltd.; Exhibits 121 (PRO) & 122 (NC) – Response to Subsidy RFI from Oriental Casting and Forging Co., Ltd.;

[5] Exhibits 044 (PRO) & 045 (NC) – Response to Section 20 RFI from Tangshan ZWell Equipment Manufacturing Co., Ltd.; Exhibits 046 (PRO) & 047 (NC) – Response to Dumping RFI from Tangshan ZWell Equipment Manufacturing Co., Ltd.; Exhibits 127 (PRO) & 128 (NC) – Response to Subsidy RFI from Tangshan ZWell Equipment Manufacturing Co., Ltd.

[6] With the exception of Molycop Singapore Trading Pte. Ltd. and Proesmma SA de CV, which are vendors located in Singapore and Mexico, respectively. These companies provided a response to the Dumping RFI.

[7] Exhibits 056 (PRO) & 057 (NC) – Response to Dumping RFI from Changshu Longteng Special Steel Co., Ltd.; Exhibits 133 (PRO) & 134 (NC) – Response to Subsidy RFI from Changshu Longteng Special Steel Co., Ltd.

[8] Exhibits 317 (PRO) & 318 (NC) – Response to Dumping RFI from Changshu Longte International Trade Co., Ltd.; Exhibits 340 (PRO) & 341 (NC) – Response to Subsidy RFI from Changshu Longte International Trade Co., Ltd.

[9] Exhibits 054 (PRO) & 055 (NC) – Response to Dumping RFI from Chengde Jianlong Special Steel Co., Ltd.; Exhibits 162 (PRO) & 163 (NC) – Response to Subsidy RFI from Chengde Jianlong Special Steel Co., Ltd.

[10] Exhibits 073 (PRO) & 074 (NC) – Response to Dumping RFI from Daye Special Steel Co., Ltd.; Exhibits 104 (PRO) & 105 (NC) – Response to Subsidy RFI from Daye Special Steel Co., Ltd.

- Jiangsu Yute Grinding International Co., Ltd.[11];
- Jiangyin Xingcheng Special Steel Works Co., Ltd.[12];
- ME Longteng Grinding Media (Changshu) Co., Ltd.[13];
- Molycop Singapore Trading Pte. Ltd.[14];
- Proesmma SA de CV[15];
- Qingdao Special Iron And Steel Co.,Ltd.[16]; and
- Zhongte Yunshang (Jiangsu) Co., Ltd.[17]

Importers

[17] Four importers, Magotteaux Ltée[18], ME Global Inc.[19], Moly-Cop Canada[20], and Suprasteel Worldwide SL.[21], provided a response to the CBSA's importer RFI.

Surrogates

[18] The CBSA received responses to the Surrogate Producer RFI from Moly-Cop Chile S.A[22] and Moly-Cop Mexico, S.A. de C.V.[23], producers of FGM located in Chile and Mexico, respectively. On-site verification was conducted at Moly-Cop Chile, S.A.'s premises in June 2026.

[11] Exhibits 050 (PRO) & 051 (NC) – Response to Dumping RFI from Jiangsu Yute Grinding International Co., Ltd.; Exhibits 058 (PRO) & 059 (NC) – Response to Section 20 RFI from Jiangsu Yute Grinding International Co., Ltd.; Exhibits 108 (PRO) & 109 (NC) – Response to Subsidy RFI from Jiangsu Yute Grinding International Co., Ltd.

[12] Exhibits 077 (PRO) & 078 (NC) – Response to Dumping RFI from Jiangyin Xingcheng Special Steel Works Co., Ltd.; Exhibits 098 (PRO) & 099 (NC) – Response to Subsidy RFI from Jiangyin Xingcheng Special Steel Works Co., Ltd.

[13] Exhibits 433 (PRO) & 434 (NC) – Response to Dumping RFI from ME Longteng Grinding Media (Changshu) Co., Ltd.; Exhibits 313 (PRO) & 314 (NC) – Response to Subsidy RFI from ME Longteng Grinding Media (Changshu) Co., Ltd.

[14] Exhibits 096 (PRO) & 097 (NC) – Response to Section 20 RFI from Molycop Singapore Trading Pte. Ltd.

[15] Exhibits 081 (PRO) & 082 (NC) – Response to Dumping RFI from Proesmma SA de CV.

[16] Exhibits 075 (PRO) & 076 (NC) – Response to Dumping RFI from Qingdao Special Iron And Steel Co.,Ltd.; Exhibits 102 (PRO) & 103 (NC) – Response to Subsidy RFI from Qingdao Special Iron And Steel Co.,Ltd.

[17] Exhibits 079 (PRO) & 080 (NC) – Response to Dumping RFI from Zhongte Yunshang (Jiangsu) Co., Ltd.; Exhibits 092 (PRO) & 093 (NC) – Response to Subsidy RFI from Zhongte Yunshang (Jiangsu) Co., Ltd.

[18] Exhibits 035 (PRO) & 036 (NC) – Response to Importer RFI from Magotteaux Ltée

[19] Exhibits 028 (PRO) & 029 (NC) – Response to Importer RFI from ME Global Inc.

[20] Exhibits 037 (PRO) & 038 (NC) – Response to Importer RFI from Moly-Cop Canada

[21] Exhibits 032 (PRO) & 033 (NC) – Response to Importer RFI from Suprasteel Worldwide SL.

[22] Exhibits 139 (PRO) & 140 (NC) – Response to Section 20 Surrogate Producer RFI from Moly-Cop Chile S.A

[23] Exhibits 141 (PRO) & 142 (NC) – Response to Section 20 Surrogate Producer RFI from Moly-Cop Mexico, S.A. de C.V.

Government

[19] The Government of China provided a partially complete response to the government subsidy RFI and subsequent SRFIs,[24] however it did not provide a response to the government Section 20 RFI. On-site verification of the information provided by the Government of China with respect to the subsidy investigation was conducted in June 2026.

PRODUCT INFORMATION

DEFINITION

[20] For the purpose of these investigations, subject goods are defined as:

> *Forged or stamped steel grinding media in spherical or ovoid shape ("ball"), with a nominal diameter between 25 millimeters (1 inch) up to and including 160 millimeters (6.25 inches), produced through the forging or stamping method and originating in or exported from the People's Republic of China.*

[21] Refer to the Statement of Reasons—Initiation of investigations: Forged Grinding Media (FGM 2026 IN) for additional product information, production process information and the classification of imports.

LIKE GOODS AND CLASS OF GOODS[25]

[22] Subsection 2(1) of SIMA defines "like goods" in relation to any other goods as "... (a) goods that are identical in all respects to the other goods, or (b) in the absence of any such goods..., goods the uses and other characteristics of which closely resemble those of the other goods." In considering the issue of like goods, the CITT typically looks at a number of factors, including the physical characteristics of the goods, their market characteristics, and whether the domestic goods fulfill the same customer needs as the subject goods.

[23] In addressing the issue of classes of goods, the CITT typically examines whether goods potentially included in separate classes of goods constitute "like goods" in relation to each other. If those goods are "like goods" in relation to each other, they will be regarded as comprising a single class of goods. In determining the like goods and whether there is more than one class of goods, the CITT "typically considers a number of factors, including the physical characteristics of the goods (such as composition and appearance) and their market characteristics (such as substitutability, pricing, distribution channels, end uses and whether the goods fulfill the same customer needs)"[26].

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[24] Exhibits 137 (PRO) & 138 (NC) – Response to Government Subsidy RFI from the Government of China; Exhibits 291 (PRO) & 292 (NC) – Response to Government Subsidy SRFI #1 from the Government of China; Exhibits 336 (NC) – Response to Government Subsidy SRFI #2 from the Government of China;

[25] Exhibits 1 (PRO) & 2 (NC) – Complaint - forged grinding media, paras. 87-92

[26] Canadian International Trade Tribunal Determination and Reasons, Preliminary Injury Inquiry PI-2025-008, Forged Grinding Media; March 26, 2026; para. 18

[24] The complainant argued that subject goods and the "like goods" produced by Moly-Cop in Canada form a single class of goods. Further, subject goods and Canadian-made like goods produced by Moly-Cop Canada are virtually identical in their physical characteristics, dimensions, specifications, metallurgy and uses. Subject goods are sold to the same Canadian customers who purchase like goods from Moly-Cop Canada. The complainant submits that the FGM produced in Canada by the complainant are like goods to the subject goods.

[25] The complainant also maintained that CGM are not like goods to FGM within the meaning of paragraph 2(1)(b) of SIMA, an issue that has already been adjudicated by the CITT in *Certain Grinding Media* from India.[27]

[26] In its preliminary injury inquiry for these investigations, the CITT further reviewed the matter of like goods and classes of goods. On March 26, 2026, the CITT issued its preliminary inquiry Reasons, indicating that it accepted at the preliminary injury inquiry stage that CGM and FGM are not like goods, and that it would conduct its analysis at this preliminary injury inquiry stage on the basis that the definition of like goods is co-extensive with the definition of the subject goods, and these like goods form a single class of goods.[28]

IMPORTS INTO CANADA

[27] During the final phase of the investigations, the CBSA refined the estimated volume and value of imports based on information from CBSA import entry documentation and other information received from the exporter and importer.

[28] The following table presents the CBSA's analysis of imports of FGM for the purposes of the final determinations:

Table 1: Import volume of FGM
(October 1, 2024 to September 30, 2025)

Country	% of total import volume
China	82.2 %
Other	17.8 %
Total	**100 %**

[27] Exhibit 2 (NC) – Complaint; forged grinding media, paras. 93-103
[28] Canadian International Trade Tribunal Determination and Reasons, Preliminary Injury Inquiry PI-2025-008, Forged Grinding Media; March 26, 2026; para. 23 and 26

INVESTIGATIONS PROCESS

[29] Regarding the dumping investigation, information was requested from all known and potential exporters, producers, vendors and importers, concerning shipments of FGM imported into Canada during the POI.

[30] Regarding the subsidy investigation, information related to potentially actionable subsidies was requested from all known and potential exporters and producers in China. Information was also requested from the Government of China concerning financial contributions made to exporters or producers of FGM imported into Canada during the POI. The Government of China was also requested to forward the RFIs to all subordinate levels of government that had jurisdiction over the exporters.

[31] The Government of China and the exporters/producers were also notified that failure to submit all required information and documentation, including non-confidential versions, failure to comply with all instructions contained in the RFI, failure to permit verification of any information or failure to provide documentation requested during the verification visits or the desk audits may result in the margin of dumping, the amount of subsidy and the assessment of dumping and/or countervailing duties on subject goods being based on facts available to the CBSA. Further, the Government of China and the exporters/producers were notified that determinations on the basis of facts available could be less favorable to them than if complete, verifiable information was made available.

[32] After reviewing the RFI responses, SRFIs were sent to responding parties, in order to clarify information provided and request additional information, where necessary. On-site verification was conducted with respect to the information provided by Changshu Longte Grinding Ball Co. Ltd., the Government of China and Moly-Cop Chile S.A.

[33] Details pertaining to the information submitted by companies in response to the dumping and subsidy RFIs, as well as the results of the CBSA's investigations, are provided in the *Results of the Dumping Investigation* and *Results of the Subsidy Investigation* sections of this document, respectively.

[34] As part of the final phase of the investigations, case briefs and reply submissions were provided by counsel representing the complainant, one exporter of subject goods from China, and on behalf of the Government of China. A summary of the representations is provided in **Appendix 2**.

DUMPING INVESTIGATION

[35] The following presents the final results of the investigation into the dumping of FGM originating in or exported from China.

NORMAL VALUE

[36] Normal values are generally determined based on the domestic selling prices of like goods in the country of export, in accordance with the methodology of section 15 of SIMA, or on the aggregate of the cost of production of the goods, a reasonable amount for administrative, selling and all other costs, plus a reasonable amount for profits, in accordance with the methodology of paragraph 19(b) of SIMA.

[37] Where, in the opinion of the CBSA, sufficient information has not been furnished or is not available, normal values are determined pursuant to a ministerial specification in accordance with subsection 29(1) of SIMA.

EXPORT PRICE

[38] The export price of goods sold to importers in Canada is generally determined in accordance with the methodology of section 24 of SIMA based on the lesser of the adjusted exporter's sale price for the goods or the adjusted importer's purchase price. These prices are adjusted where necessary by deducting the costs, charges, expenses, duties and taxes resulting from the exportation of the goods as provided for in subparagraphs 24(a)(i) to 24(a)(iii) of SIMA.

[39] Where there are sales between associated persons and/or a compensatory arrangement exists, the export price is based on the importer's resale price of the imported goods in Canada to unrelated purchasers, less deductions for all costs incurred in preparing, shipping and exporting the goods to Canada that are additional to those incurred on the sales of like goods for use in the country of export, all costs included in the resale price that are incurred in reselling the goods (including duties and taxes) or associated with the assembly of the goods in Canada and an amount representative of the average industry profit in Canada as provided for in paragraphs 25(1)(c) and 25(1)(d) of SIMA.

[40] Where, in the opinion of the CBSA, sufficient information has not been furnished or is not available, export prices are determined pursuant to a ministerial specification under subsection 29(1) of SIMA.

MARGIN OF DUMPING

[41] The margin of dumping by exporter is equal to the amount by which the total normal value exceeds the total export price of the goods, expressed as a percentage of the total export price. All subject goods shipped to Canada during the POI are included in the calculation of the margins of dumping of the goods. Where the total normal value of the goods does not exceed the total export price of the goods, the margin of dumping is zero.

BACKGROUND OF SECTION 20 INQUIRIES

[42] Section 20 is a provision of SIMA that may be applied to determine the normal value of goods in a dumping investigation where certain conditions prevail in the domestic market of the exporting country. In the case of a prescribed country (which includes China) under paragraph 20(1)(a) of SIMA, it is applied where, in the opinion of the CBSA, the government of that country substantially determines domestic prices and there is sufficient reason to believe that the domestic prices are not substantially the same as they would be in a competitive market.[29]

[43] The provisions of Section 20 are applied on a sector basis rather than on the country as a whole. The relevant sector includes the industry producing and exporting the goods under investigation.

[44] The complainant alleged that the conditions described in section 20 of SIMA prevail in the FGM sector in China. That is, the complainant alleged that the prices in China's FGM sector are substantially determined by the Government of China and are different than what they would be in a competitive market, and are therefore not reliable for the purposes of determining normal values.[30]

[45] Based on the information provided by the complainant and the CBSA's own analysis at the beginning of the investigation, the CBSA believed that there was a reasonable indication to support an inquiry into the allegations that the measures taken by the Government of China may substantially influence prices of FGM in China. As such, a section 20 inquiry was initiated to substantiate the information presented to the CBSA, and to gather additional information from the Government of China, exporters and any other relevant sources. This information assisted the CBSA in forming an opinion as to whether the conditions described under section 20 exist in the long-product steel sector in China (i.e. steel bar and steel billet) and the downstream FGM market, the sector under review for the purposes of the Section 20 Inquiry.

[46] As part of this section 20 inquiry, the CBSA sent section 20 RFIs to all potential producers and exporters of FGM in China, as well as to the Government of China, requesting detailed information related to the long-product steel sector and the downstream FGM market in China. For the purposes of obtaining information necessary to calculate normal values pursuant to subparagraph 20(1)(c) of SIMA, the CBSA requested information from producers

[29] China is a prescribed country under Section 17.1 of the *Special Import Measures Regulations.*
[30] Exhibits 1 (PRO) & 2 (NC) – Complaint - forged grinding media, paras. 148-152

in surrogate countries. As such, the CBSA selected a number of Latin American countries, namely Brazil, Chile, Mexico and Peru as potential surrogate countries and sent questionnaires to known producers of FGM in these countries.

[47] For the preliminary determinations, the CBSA formed the opinion that domestic prices in the FGM sector in China are substantially determined by the Government of China and that domestic prices are not substantially the same as they would be in a competitive market.

ANALYSIS OF SECTION 20 CONDITIONS

[48] The CBSA has found that the conditions of section 20 of SIMA exist in multiple previous investigations involving Chinese steel products. For example, since 2015, the CBSA has determined that the conditions of section 20 of SIMA existed in the following twelve investigations involving steel products or products made principally of steel.

[49] These investigations are:

- Cast Iron Soil Pipe – 2025
- Steel Strapping – 2025
- Carbon and Alloy Steel Wire – 2025
- Wire Rod – 2024
- Wind Towers – 2023
- Container Chassis – 2021
- Corrosion-Resistant Steel Sheet – 2018
- Cold-rolled Steel – 2018
- Sucker Rods – 2018
- Fabricated Industrial Steel Components – 2016
- Large Diameter Carbon and Alloy Steel Line Pipe – 2016
- Carbon and Alloy Steel Line Pipe – 2015

[50] For the most part, these previous section 20 opinions relate to the same or substantially the same sector as the subject goods and as such, the conclusions reached in these inquiries are generally quite relevant to FGM. As mentioned earlier, the primary input material for FGM is merchant steel bar, which is part of the long-product steel sector, and accounts for approximately 80% of the cost of production and sale of FGM, according to the complainant, and based on the costing data supplied by respondents in response to the Dumping RFI.

[51] In the past two years, the CBSA has concluded twice that the conditions of section 20 existed specifically in the long-product steel sector in China. The most recent case, *Certain Carbon and Alloy Steel Wire (SW 2025 IN)*, concluded on December 3, 2025.[31] In that case, the CBSA found that the Government of China's steel plans and directives, the government's level of ownership and control of steel manufacturers, the market-distorting subsidies to the steel industry, and other government influence on the cost of production of steel, together resulted in the Government of China substantially determining the price of steel and

[31] The period of investigation in *Steel Wire* was January 1, 2024 to December 31, 2024.

long-product steel in the domestic industry and that these prices are not substantially the same as if they were determined in a competitive market.[32] The CBSA had reached the same conclusion in *Wire Rod (WR 2024 IN)*, which concluded September 4, 2024, with respect to the long-product steel sector.[33]

PERIOD OF INVESTIGATION

[52] The period of investigation (POI) for the dumping investigation of FGM is October 1, 2024 to September 30, 2025. The CBSA is investigating whether the conditions of section 20 were in effect during this period in the Chinese long-product steel sector and in the downstream FGM market.

[53] While the conclusions made on the basis of the analysis presented in this analysis relate to market conditions that existed during the POI, these conditions are the result of persistent state interventions that have been taking place over a period of time that long precede the POI. For this reason, a proper understanding of the current situation requires reviewing industrial policies and state intervention that occurred over a much longer period of time.

MARKET OVERVIEW FOR THE STEEL SECTOR, INCLUDING LONG-PRODUCTS

[54] The steel sector in China, including long-products such as billet and merchant steel bar, is characterized by massive producers, which are dominantly state-owned, and by persistent excess production capacity and excess supply.

[55] The Chinese steel industry is highly fragmented with well over 200 firms and 360 mills across China[34], producing over 1 billion metric tonnes (MT) of steel, about 53% of global production.[35] Despite the very large number of firms, the top ten largest producers account for about 44% of total production, and approximately 70% of that volume is produced by state-owned enterprises (SOEs), as shown in the data in Table 2 below. In addition to these six massive SOEs, there are several other sizable state-owned producers as well, such as Liuzhou Steel, Rizhao Steel Holding Group Co., Ltd, CITIC Pacific, Baotou Steel (Baogang Group), Jinan Iron and Steel Group Co., Anyang Iron and Steel Co., Ltd., Nanjing Steel (NISCO), and Shaanxi Iron and Steel Group Co., Ltd.; each of which produce over 10 million MT of steel annually.[36] Overall, it is estimated that SOEs account for very close to half of the total steel

[32] Statement of Reasons—Final determination: Certain Carbon and Alloy Steel Wire (SW 2025 IN); December 18, 2025; https://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/sw2025/sw2025-fd-eng.html
[33] Statement of Reasons—Final determination: Wire Rod (WR 2024 IN); September 19, 2024, https://www.cbsa-asfc.gc.ca/sima-lmsi/i-e/wr2024/wr2024-fd-eng.html
[34] Exhibit 267 (NC) –CBSA Research Documents 3; "Green steel in China Easier said than done.pdf"; Green Steel in China: Easier Said Than Done; Isha Chaudhary and Ti Guo; Wood Mackenzy; April 2, 2025.
[35] Exhibit 2 (NC) – Complaint – Forged Grinding Media; Exhibit 34 - 2025 World Steel in Figure, Worldsteel Association
[36] Exhibit 2 (NC) – Complaint – Forged Grinding Media; Exhibit 34 - 2025 World Steel in Figure, Worldsteel Association

production in China.[37] The level of state-ownership and control over the industry is further addressed below.

Table 2: Top 10 Steel Producers in China in 2024 by Volume[38]

Company	2024 Crude Steel Production (million MT)	State-Owned
China Baowu Group	130.09	Yes
Ansteel Group (Angang Group)	59.55	Yes
HBIS Group Co. Ltd. (Hesteel Group)	42.28	Yes
Shagang Group (Jiangsu)	40.22	No
Jianlong Group	39.37	No
Shougang Group	31.57	Yes
Delong Steel	29.33	No
Hunan Steel Group	24.90	Yes
Jingye Group	22.72	No
Shandong Steel Group (now part of Baowu)	19.45	Yes
Total Production of Top 10 Steel Producers in China	**439.48(1)**	
Total Production of the six State-Owned Steel Producers Among the Top-10 Producers	307.84(2)	
Total Steel Production in China 2024	1,005.10	
Total exports	117.1	
Total imports	8.7	
Total apparent market - 2024	**896.7**	

(1) Top 10 = 44% of total production
(2) Represents 70% of the top-10, 31% of total production in China and 16% of world production.

[56] It is reported that the capacity utilization rate in the steel industry in 2024 was about 78.5%, which would suggest total production capacity of approximately 1,280 million MT.[39] As the statistical data above suggests, China produced an excess of 108.4 million MT over its consumption and has the capacity to produce much more.

[57] Despite a reported decline in production in 2025, the Organisation for Economic Co-operation and Development (OECD) expects substantial increases in steelmaking capacity globally (165 million MT) between 2025-2027, led especially by China, despite strong contraction in demand in China and low prices.[40] As stated by the OECD, the divergence between capacity and demand has led to significant market imbalances, which are putting

[37] Exhibit 241 (NC) CBSA Research Docs 2; "11. Brandt-Jiang-Luo-and-Su_REStat_2020-1-1 (1).pdf"; Ownership and Productivity in Vertically-Integrated Firms: Evidence from the Chinese Steel Industry; Brandt, Jiang, Luo and Su, April 12, 2020
[38] Exhibit 2 (NC) – Complaint – Forged Grinding Media; Exhibit 34 - 2025 World Steel in Figure, p.7 and 24, Worldsteel Association
[39] This rate was for the first half of 2024. The CBSA extrapolated to full year. See Exhibit 267 (NC) –CBSA Research Documents 3; "steel util rate of 78 5 in 2024.pdf"; Chinese steel sector's capacity utilization at 78.5% in H1; Steel Orbis; July 16, 2024.
[40] Exhibit 241 (NC) CBSA Research Docs 1; "4. OECD Steel Outlook 2025 (EN).pdf"; OECD Steel Outlook 2025, OECD Publishing, Paris, 2025, p. 10

downward pressure on steel prices and the industry's profitability.[41] Further, demand for steel has been declining and is expected to continue to decline in the foreseeable future, further exacerbating the excess of capacity and the downward pricing trend, and is expected to continue to drive up the volume of exports from China[42]. The Chinese government is also aiming for growth in the industry per its *2025–2026 Steel Industry Growth Plan.*[43]

[58] In its 2025 Interim Report[44], AnSteel described the Chinese market for the first half of the year by pointing to a crude steel output decrease of 3% year-on-year but a total steel output increase of 4.6% year-on-year. Ansteel also referred to a 5.6% year on-year decrease of the nationwide apparent consumption of crude steel, contributing to an increasing excess steel supply over demand of about 63 million MT over the six month period. Ansteel also indicated that steel prices generally followed a fluctuating downward trend. The company stated that according to the China Steel Price Index released by the China Iron and Steel Association, the long products price index averaged 95.73 points, representing year-on year decline of 13.53%.

APPARENT CAUSES OF THE EXTENT OF OVERCAPACITY AND EXCESS SUPPLY IN THE CHINESE STEEL INDUSTRY:

[59] As discussed below, the extent of the production overcapacity and oversupply in the steel industry in China is largely attributed to the fact that the industry structure is developed mostly through government support and interventions than by market forces and fair competition.[45]

[60] After surging from 150 million MT in 2001 to 512 million MT in 2008[46], a 241% increase, steel production in China increased by an additional 59% between 2008 and 2014, from 512 million MT to 813 million MT, while production capacity increased 77%, from 644 million MT to 1,140 million MT. During the 2008-2014 period, overcapacity increased from 132 million MT to 327 million MT, and utilization rate decreased from 80% to 71%.[47]

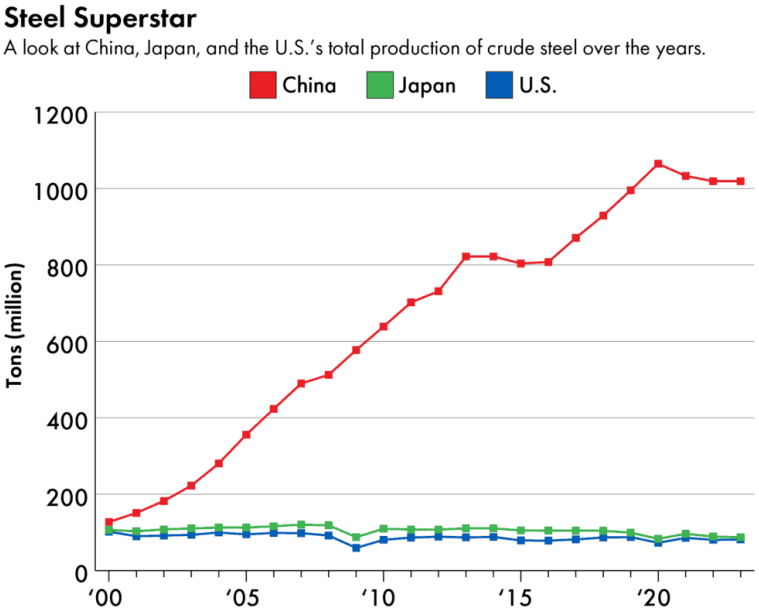
[61] As mentioned earlier, in 2024, the Chinese apparent market stood at 896.7 million MT, production stood at 1,005.1 million MT and capacity estimated at about 1,280 million MT, with a theoretical overcapacity of 384 million MT over domestic consumption. The CBSA

[41] Ibid., p. 25
[42] Exhibit 267 (NC) –CBSA Research Documents 3; "chinas steel surplus isnt easy to tackle.pdf"; China's Steel Surplus Isn't Easy to Tackle, Says Association; Katharine Gemmell, Blooberg News, Dec. 8, 2025
[43]Exhibit 241 (NC) CBSA Research Docs 2; "51. Fastmarkets - Steel Plan 25-26.docx"; China Targets 4% Steel Growth in 2025-2026; Zihuan Pan; Fastmarkets; Oct. 3, 2025
[44] Exhibit 267 (NC) –CBSA Research Documents 3; "Ansteel 2025 Interim Report"; Angang Steel Company Limited 2025 Interim Report; p. 10
[45] Exhibit 241 (NC) CBSA Research Docs 2; "24. Decoding China Steel Capacity Replacement Policies.pdf"; Decoding China Steel Capacity Replacement Policies: a Decade-Long Journey, Pausing to Forge Ahead; TransitionAsia, September 2024
[46] Exhibit 241 (NC) CBSA Research Docs 2; "36. Recent Status of Production, Administration Policies, and .pdf"; Recent Status of Production, Administration Policies, and Low-Carbon Technology Development of China's Steel Industry; Qiao, Y.; Wang, G.; Metals 2024; p. 2
[47] Exhibit 241 (NC) CBSA Research Docs 2; "25. Overcapacity_in_China_An_Impedim.pdf" Overcapacity in China – An Impediment to the Party's Reform Agenda; European Union Chamber of Commerce in China; 2016; p.16

recognizes that there may be a certain discrepancy between theoretical capacity and a more realistic capacity due to product mix and normal downtime for maintenance, yet, the excess capacity remains substantial. For perspective, the theoretical overcapacity is as high as the combined production of India, Japan, the United States and Russia, the next four largest global producers.[48] Despite a reported decline in production in 2025, the OECD expects substantial increases in steelmaking capacity in China, despite strong contraction in domestic demand and low prices.[49]

[62] The following graphic provide a good visual impression of the rate of the growth in steel production in China in the past quarter-century:

Figure 1 - Rate of the growth in steel production in the past quarter-century in China[50]



[63] While market forces played a role in the growth of the industry, especially prior to 2008, the massive capacity is said to exists largely thanks to "supportive industrial policies spanning decades whose sole aim was to help this strategic industry flourish."[51] In particular, after the 2008 financial crisis, the Chinese government provided massive fiscal stimulus package including unprecedented large lending programs.

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[48] Exhibit 2 (NC) – Complaint – Forged Grinding Media; Exhibit 34 - 2025 World Steel in Figure, Worldsteel Association

[49] Exhibit 241 (NC) CBSA Research Docs 1; "4. OECD Steel Outlook 2025 (EN).pdf"; OECD Steel Outlook 2025, OECD Publishing, Paris, 2025, p. 10

[50] Exhibit 241 (NC) CBSA Research Docs 2; "32. Steeling for Trouble - The Wire China.pdf"; Steeling for Trouble; Yi Liu; The Wire- China; October 6, 2024; https://www.thewirechina.com/2024/10/06/steeling-for-trouble-china-steel-industry/

[51] *Exhibit 241 (NC) CBSA Research Docs 2; "25. Overcapacity_in_China_An_Impedim.pdf"* Overcapacity in China – An Impediment to the Party's Reform Agenda; European Union Chamber of Commerce in China; 2016; p.16

[64] It is said that the government-encouraged lending surge resulted mainly in the expansion of Chinese SOE production capacity, where there was no real additional demand.[52] In explaining the root of the overcapacity issue in China, the European Union Chamber of Commerce in China wrote that "The Chinese stimulus package poured credit into increasingly questionable projects and increased direct and indirect subsidies to investment and manufacturing. While these policies boosted the economy in the short term, in the medium term they have further distorted markets and complicated China's economic transition." [53]

[65] It also stated that "Instead of being subjected to strict market discipline, SOEs are often tasked with fulfilling broader political goals, such as pursuing market share, maintaining and expanding employment in their jurisdictions, as well as developing the capabilities and capacity to deliver for local investment projects".[54] Capacity, production and market share goals are indeed used as the primary benchmarks to assess the performance of these state-controlled corporations. SOE reinvest their retained earnings to gain market share and to make their companies bigger. Such political governance of the steel industry will be further addressed later in this report.

[66] Local governments tend to encourage investments that maximize their fiscal incomes regardless of the overall market situation, and as mentioned, they encourage investments that will maintain employment in their own jurisdictions. This leads to additional state credit subsidies and implicit lending guarantees for investments. Local government protectionism has also been singled out as a reason for the industry fragmentation and lack of concentration. Local government also turn a blind-eye on violation of national environmental, health and safety standard, the equivalent of providing a local subsidy, giving those firms a distinctive cost advantage and keeps companies in business that may otherwise be closed.[55]

[67] A "zombie company" in the Chinese steel industry is defined as "a facility that cannot cover its full costs of production — including capital maintenance, environmental compliance, and a market rate of return — without some form of government support. It is not merely loss-making in a cyclical downturn; it is structurally unviable at any realistic point in the market cycle."[56] A 2016 study reports that the steel industry in China had a proportion of zombie companies of 51.4%.[57] Evidently, the use of local subsidies to keep non-performing

[52] Ibid. ; p.8
[53] Ibid.; p.8
[54] *Exhibit 241 (NC) CBSA Research Docs 2; "25. Overcapacity_in_China_An_Impedim.pdf"* Overcapacity in China – An Impediment to the Party's Reform Agenda; European Union Chamber of Commerce in China; 2016, p. 10
[55] Ibid. p. 14
[56] Exhibit 241 (NC) CBSA Research Docs 2; "34. Zombie-steel-mills-state-aid.pdf"; Zombie Steel Mills: Why State Aid Delays the Inevitable; Steelonthenet.com; March 2, 2026, p.2
[57] Exhibit 241 (NC) CBSA Research Docs 2; "33. The measurement of zombie enterprise in China s iron and steel indu.pdf"; The measurement of zombie enterprise under information asymmetry–a case of China's iron and steel industry; Shiue-Hung Lin; Routledge Taylor & Francis Group, Journal of applied economics 2023, vol. 26, no. 1, 2259245; September 11, 2023

state-owned producers in business has been a significant problem in China, and a significant factor in the overcapacity problem and inefficient allocation of resources.[58] [59]

[68] As stated by the United States International Trade Commission, "Chinese excess capacity has been facilitated by Chinese government (national and provincial) involvement in its steel industry though grants, preferential loans, debt-to-equity swaps, and tax refunds as well as various forms of indirect support to Chinese SOEs. A leading factor leading to overcapacity has been easy credit extension, via government guarantees or though state-owned banks."[60]

[69] Government interventions, and particularly the provision of subsidies, including access to cheap financing, have been singled out as the reason for the state of the steel industry. As such, one must recognize the significant influence of non-market factors on overcapacity and oversupply.

STEEL PLANS, DIRECTIVES AND OTHER POLICY DOCUMENTS

[70] As the CBSA has found in multiple previous investigations involving Chinese steel products (see "Previous Section 20 Inquiries" section above), the Government of China exerts very strong influence over its steel industry by way of direct intervention to meet national economic and environmental goals, heavy state ownership and massive subsidies.

[71] In this section, the CBSA addresses the Government of China's key priorities and strategic goals with respect to the steel industry, along with an overview of key policy documents. The CBSA also addresses government intervention in the industry over an expanded period of time in order to provide context for the state of the industry during the POI.

[72] We will see that despite the attempts to cap capacity by requiring older, smaller, and polluting mills to close before new ones could be built, in practice, the Chinese government's "capacity replacement" policies described below resulted in the modernization and expansion of mills; as new facilities were built with significantly higher production volumes and efficiency than the older ones they theoretically "replaced". In other words, the government is continuing to contribute to overcapacity and oversupply, maintaining the pressures on prices for steel products such as steel bar and billet.

[73] In China, five-year plans, often referred to as "guidelines", are a series of social and economic development initiatives issued by the Communist Party of China (CPC). As described by Heilmann and Melton,

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[58] Exhibit 241 (NC) CBSA Research Docs 2; "29. Death of the Zombie Steel Firms and Reduction in Steel Excess Capacity in China.pdf"; Death of the Zombie Steel Firms and Reduction in Steel Excess Capacity in China; Pedro Cardenas; U.S. International Trade Commission; Executive Briefings on Trade, November 2019

[59] Exhibit 241 (NC) CBSA Research Docs 2; "30. Research on Zombie Enterprise.pdf"; Research on Zombie Enterprise; Zijiong Chen; Macau university of Science and Technology, Faculty of Law, Macau; Advances in Economics, Business and Management Research, volume 185; Atlantis Press; 2021

[60] Exhibit 241 (NC) CBSA Research Docs 2; "29. Death of the Zombie Steel Firms and Reduction in Steel Excess Capacity in China.pdf"; Death of the Zombie Steel Firms and Reduction in Steel Excess Capacity in China; Pedro Cardenas; U.S. International Trade Commission; Executive Briefings on Trade, November 2019

> The five-year plan begins with brief, fairly general guidelines approved by the CCPCC in the fall of the year before the start of the plan period, and with a more detailed – but still fairly broad – outline approved by the National People's Congress the following March. Collectively, they set national priorities and outline how they will be met, but these documents—which are commonly referred to as the five-year plan—are only executed through a network of thousands of sub-plans that evolve into detailed execution instructions for all levels of government. This web of plans evolves over the entire five-year period, and is better thought of as a planning coordination and evaluation cycle rather than a cohesive, unified blueprint.[61]

[74] As discussed below, Chinese five-year plans create non-market conditions in the steel industry by setting state-mandated production, capacity, and emission targets rather than relying on demand. These plans facilitate state-driven mergers, enforce capacity swaps, centralize raw material sourcing, and subsidize new and green technologies. These directives often distort market forces, as steel firms are pressured to meet government targets and employment goals rather than maximize profitability. This has led to persistent overproduction, with excess steel being exported, which has provoked widespread protectionist measures worldwide.

[75] The guidelines and priorities set out in the 13th Five Year Plan (2016–2020), the 14th Five Year Plan (2021-2025) and the current 15th Five Year Plan (2026-2030) – whose formulation began midway through the 14th plan – along with the numerous specific plans connected to them, would have had the most impact on the environment characterizing the government's influence over the long-product steel industry in China during the POI.

[76] Another plan of particular significance to the steel industry is the *Made in China 2025* policy document released in 2015[62], which was drafted by the Ministry of Industry and Information Technology (MIIT), as an initiative to comprehensively upgrade Chinese industry into a leader in high-tech manufacturing, and aims both to increase the competitiveness and global market share of the Chinese manufacturing industry and to reduce China's dependence on foreign manufactured goods.[63] Its goals included making Chinese companies more competitive across the board, emphasizing on innovation-driven manufacturing, achieving green development, raising domestic content of core components and material to 70% by 2025 (i.e. increasing self-sufficiency), upgrading industry to be more efficient and integrated, having Chinese firms move up the value-added chain in production and innovation networks, and achieving much greater international brand recognition. The plan saw a significant role

[61] Sebastian Heilmann and Oliver Melton, "The Reinvention of Development Planning in China, 1993-2012," Modern China 39(6) (2013): 586. As quoted in Exhibit 241 (NC) CBSA Research Docs 2;; "10. China's Status as a Non-Market Economy.pdf"; China's Status as a Non-Market Economy; United States Department of Commerce A-570-053, October 27, 2017 p 119, note 604.

[62] Exh 52 (PRO) and 53 (NC) - Response to request for information (RFI) - section 20 from Changshu Longte Grinding Ball Co., Ltd; Non-Confidential - Changshu Longte - 2026-02-16 - FGM 2026 IN - Exhibit A1(a) - Made in China 2025.pdf

[63] Made in China 2025; Center for Strategic & International Studies; Scott Kennedy; June 1, 2025. https://www.csis.org/analysis/made-china-2025

for the state in providing an overall framework, utilizing financial and fiscal tools, and supporting the creation of manufacturing innovation centers.

[77] As the OECD puts it with respect to such plans, "In broad terms, industrial interventions are designed to affect the allocation of resources among economic activities (across or within sectors) to achieve a different outcome from what otherwise would have occurred"; particularly with a broad role for SOEs.[64] It is also reported how these enumerative planning documents act in conjunction with various types of guidance catalogues in which the Chinese government lists specific items it encourages, discourages, restricts, or prohibits for investment or other market activity.[65]

[78] Government influence over SOE decision-making is a powerful tool for the implementation of state industrial policies. Indeed, through various laws and other measures, the Chinese government has formalized the participation of SOEs in industrial policymaking. In fact, by law, their investments must conform to state industrial policies. Further, as will be discussed below, the political governance of the state-owned steel producers is such as to ensure compliance with these directives.

[79] For some time, the Chinese steel industry has been characterized as being extremely fragmented, plagued with substantial overcapacity and oversupply, and using outdated, energy-intensive, and highly polluting production methods—specifically small-scale blast furnaces and basic oxygen furnaces (BOF). These issues created problems in terms of the environment, profitability, trade irritants and in properly meeting higher-end requirements of a modern economy.

[80] As such, with respect to the steel industry's historical context leading to the current market environment, the most relevant guidelines and priorities set out in these latest plans include the aims to i) curb overcapacity via capacity replacement, ii) promote industrial consolidation, iii) deleverage the industry iv) mandate carbon reductions, v) upgrade technologies and vi) promote self-sufficiency. As will be discussed below, despite the intention to manage the oversupply and increase the profitability of the industry, the actions taken to achieve those goals have resulted in the perpetuation of the high-supply-low-cost environment, leading to depressed price in the long-products sector.

[64] Exhibit 241 (NC) CBSA Research Docs 2; "14. China-2030-building-a-modern-harmonious-and-creative-society.pdf"; China 2030: Building a Modern, Harmonious, and Creative Society; The World Bank; Development Research Center of the State Council, the People's Republic of China, 2013; p.107 . See also Exhibit 241 (NC) CBSA Research Docs 2;; "10. China's Status as a Non-Market Economy.pdf"; China's Status as a Non-Market Economy; United States Department of Commerce A-570-053, October 27, 2017 pp. 117-149

[65] Exhibit 241 (NC) CBSA Research Docs 2; "10. China's Status as a Non-Market Economy.pdf"; China's Status as a Non-Market Economy; United States Department of Commerce A-570-053, October 27, 2017 p. 122

[81] While these six policy goals are largely interconnected as an integral part of China's supply-side structural reform, the CBSA is briefly addressing each of them individually below:

i) Curbing Overcapacity via Capacity Replacement

[82] The Chinese Government's goals with respect to dealing with overcapacity is more complex than simply forcing the closure of existing mills or restricting investments in new capacity. The government's goal is predicated on closing or restricting plants using outdated, obsolete and polluting production technologies – which were focused on low-end products – and replacing this old capacity with new capacity, using more modern, efficient and environmentally-friendly technologies that are geared toward the production of higher-ended steel products. Capacity replacement also aims at relocating existing capacity into concentrated industry clusters like coastal industrial parks.[66] Strategies also involved consolidating the industry, developing downstream use, and export management.

[83] It is reported that rather than reducing the total steel industry overcapacity, the replacement policy often leads to the state support of "uncompetitive existing capacity and expansion of new capacity through state-directed mergers, relocations, and facility upgrades, all backed with generous financial and other support."[67]

[84] This is particularly relevant with respect to higher grades of steel, such as those required to produce FGM, as the government is encouraging its producers to produce more of higher grades. For instance, a respondent indicated that high-performance grinding media manufacturing is included in the List of Industries, Products and Technologies Currently Encouraged by the State for Development, as well as in the 2024 Guidance Catalogue on Industrial Structural Adjustment.[68]

[85] Again, it seems that the steel industry structure is being developed mostly through government support and interventions rather than by market forces. Further, it seems that while capacity reduction should, in theory, assist in stabilizing the market and raise prices to healthy levels, the reality is that overcapacity has not been resolved as substantial government support and intervention is again reportedly distorting the industry. The governments intervention is shifting production from inefficient, older, or polluting facilities to modern, higher-efficiency plants, often resulting in a net increase in effective production capacity. Much of the "forced" investments are benefiting from government support. As such, rather than resulting in less supply and higher prices, the government intervention is still leading to oversupply and lower production costs, and hence lower prices for steel.

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[66] Exhibit 241 (NC) CBSA Research Docs 2; "16. Wiley_Shell Game Case Studies in Chinese Steel Subsidies_2024.pdf", Sheel Game: Case Studies in Chinese Steel Subsidies; Wiley Rein LLP; 2024, Price, DeFrancesco, Teslik

[67] Exhibit 241 (NC) CBSA Research Docs 2; "16. Wiley_Shell Game Case Studies in Chinese Steel Subsidies_2024.pdf", Sheel Game: Case Studies in Chinese Steel Subsidies; Wiley Rein LLP; 2024, Price, DeFrancesco, Teslikp.1

[68] Exhibit 53 (NC) – Response to Section 20 RFI - Changshu Longte Grinding Ball Co., question B19-21

ii) Promoting industrial consolidation

[86] Industrial consolidation is one of the strategies used by the Chinese government to meet its capacity replacement, technological upgrading and environmental policies in the context of its supply-side structural reform. Consolidation occurred mainly by way of mergers and acquisitions. Government-led consolidation of the industry has also been used to create "vertically and horizontally integrated mega-firms to reduce the intensity of "vicious competition" among domestic firms, while positioning the industry to dominate in global markets".[69] It is also said that consolidation policies are used with "parallel policies focused on relieving the industry of unsustainable debt burdens accumulated in the years following the global financial crisis.[70] The section below on deleveraging expands on this matter. While consolidation should in theory reduce competition and relieve the downward pressure on prices, in practice, it has: resulted in the prevention of market exits, or in the maintenance of capacity that should have been closed; allowed larger groups to use such capacity as part of replacement ratio in order to support expansion; and allowed the dilution of high debt of weaker companies, providing them the ability to borrow more and increase capacity. By continuing to prioritize high-volume output and market share over profitability, the government-led consolidations are leading to persistent oversupply and driving down prices of steel products, including long-products.

[87] As mentioned in the section above, in 2016, the Chinese government committed to increase the share of the ten largest manufacturers in the total volume of domestic steel production to 60% by 2025, in its "*Guiding Opinions on Promoting Mergers, Reorganizations, and Handling Zombie Enterprises in the Steel Industry*", a goal that was re-iterated in the "*Guiding Opinions on Promoting High-Quality Development of the Steel Industry*" (2021-2025) and the *14th Five-Year Plan (2021–2025)* to solidify the stated government intention for the top five steel companies to control 40% of the market and the top 10 to manage 60% by 2025. While this target was not met - in 2024, the top 10 companies account for closer to 44% of production - the government has continued to push for further consolidation, shifting the target date for the top 10 to reach 60% concentration closer to 2030, according to the recently released *Work Plan for Stabilizing Growth in the Steel Industry (2025-2026)* and the *15th Five-Year Plan (2026-2030)*.

[88] As discussed earlier, more than half of the steel industry in China was estimated as consisting of zombie companies - companies that cannot cover their full costs of production without some form of government assistance. The Chinese government (including – or mostly – local governments), maintained these companies artificially with government aid rather than allowing market-driven exits, contributing to the excess capacity, particularly of obsolete capacity, as they tend to operate older equipment with high fixed costs and poor energy

[69] Exhibit 241 (NC) CBSA Research Docs 2; "16. Wiley_Shell Game Case Studies in Chinese Steel Subsidies_2024.pdf", Sheel Game: Case Studies in Chinese Steel Subsidies; Wiley Rein LLP; 2024, Price, DeFrancesco, Teslik

[70] Ibid.; p.4

efficiency, contributing to the persistent overcapacity and excess supply that depresses profit margins across the entire sector.[71]

[89] One of the government strategies to deal with the zombie companies and their capacity issue has been to consolidate them with larger groups of SOEs through merger and acquisitions. While removing their obsolete capacity is in itself a positive move, one issue is that rather than a net exit, the consolidated group is now able to use the closure (if closure occurs) as part of a capacity replacement ratio. In other words, in terms of total capacity, the removal of capacity may be short lived, until newer, more efficient and technologically-improved capacity becomes operational. Not to mention that such new capacity may have been made possible due to generous government assistance, perpetuating the cycle of government intervention. Further, it was reported that the "navigator enterprises" designated to lead consolidation efforts may be exempted from the otherwise state prohibition on new projects, without elimination of an equal or greater amount of existing capacity.[72]

[90] In 2016, a group of major Chinese ministries and regulators[73] issued joint guidelines to address creditor and debtor issues in the steel industry. For example, the 2016 *Opinion of the State Council Regarding Resolving Excess Capacity in the Steel Industry and Realizing Development Through Difficulty* and *Several Opinion Of Three Ministries Regarding Financial Creditor And Debtor Issues Related To Resolving Excess Capacity In The Steel And Coal Industrie*s directed financial institutions to actively support restructuring through mergers and acquisition and the resolution of bad debt burdens.[74] In particular, they were reportedly instructed to support debt restructuring through interest rate reductions, maturity extensions and debt-to-equity swaps.[75] Although banks were directed not to support zombie companies, many of them were bailed out by acquisition. In other words, rather than forcing their exit though bankruptcy and liquidation, their mergers with larger companies eliminated such restrictions, resulting in potentially maintaining capacity that would have otherwise been eliminated, or continuing to finance them.

[71] Exhibit 241 (NC) CBSA Research Docs 2; "34. Zombie-steel-mills-state-aid.pdf"; Zombie Steel Mills: Why State Aid Delays the Inevitable; Steelonthenet.com; March 2, 2026

[72] Exhibit 241 (NC) CBSA Research Docs 2; "16. Wiley_Shell Game Case Studies in Chinese Steel Subsidies_2024.pdf", Sheel Game: Case Studies in Chinese Steel Subsidies; Wiley Rein LLP; 2024, Price, DeFrancesco, Teslik; p. 4

[73] primarily the People's Bank of China (PBOC), the China Banking Regulatory Commission (CBRC), the China Securities Regulatory Commission (CSRC), and the China Insurance Regulatory Commission (CIRC)

[74] Exhibit 241 (NC) CBSA Research Docs 2; "16. Wiley_Shell Game Case Studies in Chinese Steel Subsidies_2024.pdf", Sheel Game: Case Studies in Chinese Steel Subsidies; Wiley Rein LLP; 2024, Price, DeFrancesco, Teslik; p. 4

[75] Exhibit 241 (NC) CBSA Research Docs 2; "16. Wiley_Shell Game Case Studies in Chinese Steel Subsidies_2024.pdf", Sheel Game: Case Studies in Chinese Steel Subsidies; Wiley Rein LLP; 2024, Price, DeFrancesco, Teslik; p. 4.

[91] Further, as mentioned, the government's industry consolidation efforts also focuses on reducing the geographic dispersion of the industry.[76] While the stated objective is to reduce overcapacity and environmental burdens, selected large "national champions" are given significant financial support for facility upgrades and expansions as part of the relocation process.[77] One report discusses the example of steel billet producer Dalipal Holdings Ltd, which received direct compensation far in excess of their actual relocation costs, in addition to significant financial support for expansion and upgrades to relocated facilities, while being able to double its steel billet capacity, and being able to implement significant technological upgrades related to facility automation and emissions reduction.[78] The company in fact recognized a gain on the relocation as income, in addition to less direct benefits related to its financing costs.[79] The paper also details specialized financing platforms established to provide financial support to enterprises meeting the government criteria.

[92] As such, as mentioned above, the government's consolidation efforts resulted in the prevention of market exits, or in the maintenance of capacity that should allegedly have been closed; allowed larger groups to use such capacity as part of replacement ratio in order to support expansion; and allowed the dilution of high debt of weaker companies, providing them the ability to borrow more and increase capacity, leading to persistent oversupply and driving down prices of steel products, including long-products.

iii) Deleveraging

[93] After the financial crisis of 2008, the Chinese government (central and local) implemented economic stimulus policies, which are said to have led to increased leverage ratio in the steel industry to the point of becoming a concerning problem, as steel producers – particularly SOEs – pursued investment opportunities without considering the soundness of the manufacturing industry from a market-oriented perspective[80]. For instance, as mentioned above, it has been estimated in 2016 that more than half of the steel industry[81] consisted of zombie companies. Since the launch of the "supply-side structural reform" in 2015, deleveraging has been another priority, intertwined with those of the replacement capacity policies. For example, it was reported that the financing of the Chinese steel industry's decarbonization alone may require more than US$3 trillion in investments between 2022 and

[76] Steel Industry Adjustment and Upgrading Plan (2016-2020) and 14th Five-Year Plan for Development of Raw Materials Industries (2021). See Exhibit 241 (NC) CBSA Research Docs 2; "16. Wiley_Shell Game Case Studies in Chinese Steel Subsidies_2024.pdf", Sheel Game: Case Studies in Chinese Steel Subsidies; Wiley Rein LLP; 2024, Price, DeFrancesco, Teslik; p. 21

[77] Exhibit 241 (NC) CBSA Research Docs 2; "16. Wiley_Shell Game Case Studies in Chinese Steel Subsidies_2024.pdf", Sheel Game: Case Studies in Chinese Steel Subsidies; Wiley Rein LLP; 2024, Price, DeFrancesco, Teslik; p. 21

[78] Ibid.; p. 21-25

[79] Ibid.

[80] Exhibit 241 (NC) – CBSA research documents vol. 2; "52. Deleveraging and Decapacity.pdf"; Deleveraging and decapacity: A comparative analysis of corporate capital allocation based on asset reversibility; Songbo Jia , Chenying Sang , Shiwei Su ,Jianxiang Xu; PLOS ONE; November 15, 2023

[81] Exhibit 241 (NC) – CBSA research documents vol. 2; "33. The measurement of zombie enterprise in China s iron and steel indu.pdf"; The measurement of zombie enterprise under information asymmetry–a case of China's iron and steel industry; Shiue-Hung Lin; Routledge Taylor & Francis Group, Journal of applied economics 2023, vol. 26, no. 1, 2259245; September 11, 2023

205082; investments that can hardly be done by an industry that is characterized by overcapacity and which is over-leveraged already[83].

[94] Thus, the government introduce a debt-for-equity scheme in 2016, a government-led bailout mechanism where non-performing bank loans were converted into equity stakes and offloaded to Asset Management Companies or Special Purpose Vehicle (SPV). The measures were to exclude zombie companies from the scheme, however there are several reports that show this was not the case.[84] Furthermore, it is also widely reported that the pricing mechanism for the debt-to-equity swaps did not reflect market value, as the equity interest were valued at face value of the loans, rather than at the deep discount that market would dictate for non-performing loans.[85] As banks were directed by the government to participate in the scheme, the overvalued swaps account to significant subsidies. The OECD also refers to the use of complex and opaque financial instruments by the Chinese government which tend to mask government subsidies.[86]

[95] For the purposes of the deleveraging, the government instructed banks to create SPVs which would hold the swapped non-performing loans, allowing both the steel firms and the banks to keep the loans off balance sheet. The OECD also reports that the debt-to-equity deals were done above market price, as the non-performing loans were not discounted.[87] State-owned funds were also put in place to participate in the schemes and purchase equity, such as the China Structural Reform Fund, the China State-owned Capital Venture Investment Fund, etc.[88]

[96] In the end, the debt bailout has allowed the steel producers to borrow more in order to finance more capacity expansion and maintained enterprises running rather than forcing market-driven closures. The bailout also significantly reduced the cost of operation for a good part of the industry. The capacity expansion, the maintenance of capacity that should have

[82] Exhibit 241 (NC) – CBSA research documents vol. 2; "53. China's drive towards a low-carbon future and challenges ahead.pdf" Blog: China's drive towards a low-carbon future and challenges ahead; Frank Zhong; WorldSteel; January 28, 2022

[83] Exhibit 241 (NC) – CBSA research documents vol. 2; "52. Deleveraging and Decapacity.pdf"; Deleveraging and decapacity: A comparative analysis of corporate capital allocation based on asset reversibility; Songbo Jia , Chenying Sang , Shiwei Su ,Jianxiang Xu; PLOS ONE; November 15, 2023

[84] For example, see Exhibit 241 (NC) – CBSA research documents vol. 2; "54. China's debt-equity swaps programme.pdf"; China's debt-equity swaps programme – the good, the bad and the ugly; Chi Lo; BNP Paribas Asset Management, Nov. 17, 2020

[85] "For example, see Exhibit 241 (NC) – CBSA research documents vol. 1; "2. OECD Subsidies to the steel industry (EN) 2023.pdf"; Subsidies to the Steel Industry, Insights From the OECD Data Collection, OECD Science, Technology and Industry, Policy Papers, April 2023, No. 147 or "50. tracking chinas debt to equity swap program.pdf"; Tracking China's debt-to-equity swap program: Great cry and little wool"; Tianlei Huang (PIIE); China Economic Watch; June 24, 2019; or – CBSA research documents vol. 2; "54. China's debt-equity swaps programme.pdf"; China's debt-equity swaps programme – the good, the bad and the ugly; Chi Lo; BNP Paribas Asset Management, Nov. 17, 2020

[86] Exhibit 241 (NC) – CBSA research documents vol. 1; "2. OECD Subsidies to the steel industry (EN) 2023.pdf"; Subsidies to the Steel Industry, Insights From the OECD Data Collection, OECD Science, Technology and Industry, Policy Papers, April 2023, No. 147; p. 38

[87] Ibid.; p. 39

[88] Ibid.; p. 39-40

been forced to close, and the lowered costs of production and sale are contributing to the low domestic prices of steel in China, including low domestic prices of long-products.

iv) Mandating carbon reductions

[97] The iron and steel industry is one of the most energy-intensive sectors globally, contributing over 7% of total greenhouse gas emissions and over 11% of global carbon dioxide emissions, largely due to the use of coal in traditional BOF production.[89] The steel industry is said to be the second-largest source of the country's carbon emissions, accounting for 15% of China's carbon dioxide emissions, primarily due to its reliance on traditional blast furnace production methods because this process relies on coal and coke as the reducing agent and source of heat.[90] About 90% of China's current production still uses BOF production[91], as opposed to about 30% in North-America. The EAF method of steel production, on the other hand, uses scrap steel as opposed to using iron ore as a ferrous resource, the later being significantly more energy-intensive. The EAF method can reduce carbon emissions by up to 70% per ton of steel produced[92].

[98] In light of the high environmental impact of the industry, and the connected high social and economic cost, China has been mandating strict carbon reductions in its steel industry. China's dual carbon goals, announced in 2020, commit the nation to peaking carbon dioxide emissions before 2030 and achieving carbon neutrality by 2060, and more detailed multi-dimensional policies followed.[93]

[99] Key strategies include transitioning to EAFs, increasing scrap usage, and strengthening capacity regulation and strict output management[94]. These strategies, also including regional strategies, form an integral part of the capacity replacement policy and form part of the government-led restructuring of the steel industry. The listed policy documents also provides measures for government funding of industrial upgrades.

[89] Exhibit 241 (NC) – CBSA research documents vol. 2; "43. Chinas Steel Transformation from blast furnaces to EAF.pdf"; China's Steel Transformation: From Blast Furnaces to Electric Arc Furnaces; Ali Hasanbeigi, Cecilia Springer, Adam Sibal; Global Efficiency Intelligence, March 2025

[90] Exhibit 241 (NC) – CBSA research documents vol. 2; "36. Recent Status of Production, Administration Policies, and .pdf"; Recent Status of Production, Administration Policies, and Low-Carbon Technology Development of China's Steel Industry; Qiao, Y.; Wang, G.; Metals 2024; p. 2, p.1-3

[91] Exhibit 241 (NC) – CBSA research documents vol. 2; "44. Circular Economy Solutions for Chinas Steel Industry.pdf"; Circular Economy Solutions for Chinas Steel Industry: Addressing the Dual Challenge of Overcapacity and Emissions; Center for Strategic & International Studies; Jane Nakano and Claire Zhao; Oct. 18, 2024

[92] Ibid.

[93] Exhibit 241 (NC) – CBSA research documents vol. 2; "24. Decoding China Steel Capacity Replacement Policies.pdf"; Decoding China Steel Capacity Replacement Policies: a Decade-Long Journey, Pausing to Forge Ahead; TransitionAsia, September 2024

[94] Exhibit 241 (NC) – CBSA research documents vol. 2; "44. Circular Economy Solutions for Chinas Steel Industry.pdf"; Circular Economy Solutions for Chinas Steel Industry: Addressing the Dual Challenge of Overcapacity and Emissions; Center for Strategic & International Studies; Jane Nakano and Claire Zhao; Oct. 18, 2024

[100] It is reported that the financing of the Chinese steel industry's decarbonization may require more than US$3 trillion between 2022 and 2050.[95] Much of such investments is supported by the government, which provides tax breaks, preferential loans and capital expenditure subsidies. It is reported that the generous government support for the green transition, especially to SOEs, has often led to disguised distorting subsidies and increased production capacities. Government subsidies leading to additional capacity and more efficient production again contribute to price pressure in the steel industry. Further, the increased efficiencies of the new plants are also contributing to increasing or maintaining overcapacity, and pressuring prices. More discussion on subsidization is included below.

v) Upgrading technologies

[101] As mentioned, China's replacement policy include focuses on promoting equipment optimization and upgrading, whether to meet its decarbonization goals or to restructure the industry towards higher quality goods. For example, the *Action Plan to Promote Large-scale Equipment Updates and Trade-ins* (2024–2025) identifies the steel industry as a key industry for upgrading (e.g. replacing outdated blast furnace with more energy-efficient technologies such as EAF plants or hydrogen metallurgy). The *2025–2026 Steel Industry Steady Operation and Structural Upgrading Work Plan* is said to focus on controlling capacity by phasing out inefficient facilities, and supporting "high-end, intelligent, and green" transformations.

[102] Again, policies and directives also provide measures for government funding of industrial upgrades and provide directives for financial institutions to support government priorities. For example, on April 7, 2024, the People's Bank of China announced a 500 billion RMB ($69.1B) relending program to support technological innovation, digital upgrades (AI, smart manufacturing), and energy-saving renovations.[96].

[103] In 2025, Chinese authorities released a work plan to support the steady operation and structural upgrading of its steel industry, the *Steel Industry Steady Growth Work Plan (2025-2026)*. Per the workplan, technological innovation in the steel industry should be enhanced to boost high-end product supply, upgrade the quality of bulk materials, and stabilize the supply of raw and fuel materials, the work plan states, while it notes that effective investment in the steel industry should be expanded to accelerate technological upgrades, digital transformation and green transition[97]. The *Action Plan to Promote Large-scale Equipment Updates and Trade-ins for Consumer Good (2024)*[98], calls for a 25-percent increase in capital investments in equipment by 2027, focused across five dimensions: energy

[95] Exhibit 241 (NC) – CBSA research documents vol. 2; "53. China's drive towards a low-carbon future and challenges ahead.pdf" Blog: China's drive towards a low-carbon future and challenges ahead; Frank Zhong; WorldSteel; January 28, 2022

[96] See https://www.trade.gov/market-intelligence/china-industrial-equipment-upgrading and https://www.stcn.com/article/detail/1169515.html

[97] Exhibit 241 (NC) – CBSA research documents vol. 2; "49. China to support steel sector.pdf"; China to support steel sector's steady operation, structural upgrading; Sep. 22, 2025, Xinhua

[98] https://www.gov.cn/zhengce/content/202403/content_6939232.htm

saving and low carbon; ultra-low emissions; production safety; digital transformation; and intensified smartification.[99]

[104] The government-led and financed upgrades are improving operational efficiency, decreasing raw material costs, including increasing the use of lower-cost scrap steel, and intensifying competition. While intended to produce higher-quality, greener steel, the efficiency gains from these technological investments currently allow Chinese producers to keep prices for long-products competitive or lower, especially when such improvement was made possible by government subsidies.

vi) Promoting self-sufficiency

[105] As mentioned above, the Made in China 2025 Policy aimed at raising domestic content of core components and material to 70% by 2025 (i.e. increasing self-sufficiency). Per the *Steel Industry Steady Growth Work Plan* (2025–2026), securing steelmaking raw materials is also emphasized. The plan calls for accelerating China's domestic iron ore and coal development, supporting long-term supply contracts, and expanding scrap recycling through integrated collection and processing hubs.[100] Its policies aim at achieving a domestic self-sufficiency rate of over 45% for iron metals, reach an annual domestic scrap steel resource volume of 300 million MT, and establish 1–2 overseas equity iron mines with global influence and market competitiveness, with overseas equity iron mines accounting for over 20% of imported ore.[101]

[106] The government's intervention and influence over steel input is contributing in keeping domestic steel prices artificially low by influencing their costs, as discussed below in the "Government Influence Over Steel Input" section".

LEVEL OF GOVERNMENT OWNERSHIP AND CONTROL OVER SOES

[107] In China, SOEs are categorized into three categories according to their functions.[102] The first category consist of commercial SOEs in competitive industries whose objective function is maximizing profits. The second category include commercial SOEs in strategic industries with the aim of safeguarding national security and the national economy; maximizing the social welfare is their first priority, then maximizing profit is secondary. The third category involve SOEs in utility industries providing public goods and services, with the main objective to maximize social welfare contribution.

[99] https://www.trade.gov/market-intelligence/china-industrial-equipment-upgrading and https://climatecooperation.cn/climate/state-council-introduced-the-action-programme-aimed-at-driving-large-scale-equipment-renewal-and-consumer-goods-replacement/

[100] https://www.seaisi.org/details/27271?type=news-rooms; accessed April 2, 2026

[101] Exhibit 241 (NC) – CBSA research documents vol. 2; "24. Decoding China Steel Capacity Replacement Policies.pdf"; Decoding China Steel Capacity Replacement Policies: a Decade-Long Journey, Pausing to Forge Ahead; TransitionAsia, September 2024, p.4

[102] Exhibit 241 (NC) CBSA Research Docs 2; "23. Political governance in China's state-owned enterprises - ScienceDirect.pdf"; Political Governance in China's State-owned Enterprises; China Journal of Accounting Research, Volume 15, Issue 2, June 2022; p. 14

[108] As codified in the 2015 "*Guiding Opinion on Functional Definition and Classification of State-Owned Enterprise*", SOEs are treated differently in terms of their political governance depending on which category they belong to.

[109] This political governance is said to be achieved through the four pillars of i) state-ownership, ii) the Party cadre management system, iii) the Party's participation in corporate decision-making and iv) intra-Party supervision.[103] These are further discussed below.

[110] The steel industry is managed as a commercially oriented sector with high strategic importance. It is considered as a "pillar industry" of the Chinese economy.[104] As such, it fits in the second category with tight political governance, where the state must maintain relatively strong control and where the SOEs and their cadre must prioritize the relevant industrial policies.[105] These cadre will also be evaluated on the basis of their service of national strategy, subject to specialized state supervision.

Corporate and Political Governance of SOEs Operating in the Steel Industry

[111] While corporate governance in China derives rules from China's Company Law[106], for SOEs there is an added political governance that addresses the special objectives of SOEs embedded into their governance structure; which is a CPC-dominated system characterized by Party leadership, through which economic, social and political objectives are set and the means of obtaining these objectives and the associated monitoring mechanisms are determined. Although China's SOEs are organized in corporate form with all or most of the attribute of corporate governance, they are controlled mainly by the CPC though political governance."[107]

[103] Exhibit 241 (NC) CBSA Research Docs 2; "23. Political governance in China's state-owned enterprises - ScienceDirect.pdf"; Political Governance in China's State-owned Enterprises; China Journal of Accounting Research, Volume 15, Issue 2, June 2022;

[104] Exhibit 241 (NC) CBSA Research Docs 2; "16. State-owned enterprises in China.pdf"; State-owned Enterprises in the Chinese Economy Today, Role, Reform an Evolution; University of Alberta China Institute, 2018

[105] Exhibit 241 (NC) CBSA Research Docs 2; "10. China's Status as a Non-Market Economy.pdf"; China's Status as a Non-Market Economy; United States Department of Commerce A-570-053, October 27, 2017; p. 57

[106] http://www.npc.gov.cn/zgrdw/englishnpc/Law/2007-12/12/content_1383787.htm

[107] Exhibit 241 (NC) CBSA Research Docs 2; "23. Political governance in China's state-owned enterprises - ScienceDirect.pdf"; Political Governance in China's State-owned Enterprises; China Journal of Accounting Research, Volume 15, Issue 2, June 2022; p.2

i) State-ownership

[112] In 2005, Beijing designated the steel sector as a pillar industry for the Chinese economy.[108] Given the importance that the government places on the steel industry as the foundation of the national economy[109], the Government of China owns a significant share of the crude steel industry, including several of the top long-products steel producers. As mentioned above, SOEs account for 70% of the production of the top 10 steel producers, accounting for about 31% of total crude steel production in China. Overall, it has been estimated that SOEs account for about half of the total steel production in China.[110] Hence, SOEs have a strong influence over the whole industry. As stated by the United States Department of Commerce in its analysis of China's status as a non-market economy, "Excessive government ownership or control of the means of production undermines the functioning of a market economy. If economic actors cannot make market-based decisions based on supply and demand, then prices and costs become distorted, and non-market conditions prevail."

[113] For instance, China Baowu Group and AnSteel Group are directly owned by China's State-owned Assets Supervision and Administration Commission of the State Council (SASAC), a special administration of the State Council of the People's Republic of China, while HBIS Group is wholly-owned by the Hebei provincial government and Hunan Steel Group is primarily controlled by the Hunan Provincial SASAC. The Shandong Steel Group is now controlled by the China Baowu Group, and thus by the central SASAC, with the Shandong provincial government holding a minority share through the provincial SASAC. The Shougang Group, on the other hand, is controlled by the Beijing municipal SASAC.

[114] Per the description on its official website, SASAC is an ad-hoc ministerial-level organization directly subordinate to the State Council. The Party Committee of SASAC performs the responsibilities mandated by the Central Committee of the Chinese Communist Party.[111]

[115] SASAC's key roles and responsibilities include state-owned asset oversight and management, executive appointments and evaluation, reform and restructuring, and strategic alignment.[112] While the SASAC of the State Council controls central SOEs, there are also SASAC at the provincial and local levels.

[108] Exhibit 267 (NC) – CBSA Research docs. 3; "Subsidies and the China Price Harvard Business Review.pdf"; Subsidies and the China Price; Usha Haley and George Haley; Harvard Business Review, June 2008

[109] Exhibit 267 (NC) – CBSA Research docs. 3; "Xi stresses importance of steel industry, real economy _ english.scio.gov.cn.pdf"; Xi stresses importance of steel industry, real economy; Xinhua. January 24, 2025

[110] Exhibit 267 (NC) – CBSA Research docs. 3; "State of Play in the Chinese Steel Industry.pdf"; State of Play in the Chinese Steel Industry; Zhiyao Lu; Peterson Institute for International Economics, July 5, 2016

[111] http://en.sasac.gov.cn/; accessed February 10, 2026

[112] Exhibit 241 (NC) CBSA Research Docs 2; "5. SASAC what we do.pdf"; State-owned Assets Supervision and Administration Commission of the State Council's website - What we do; accessed February 10, 2026; http://en.sasac.gov.cn/2018/07/17/c_9258.htm .

[116] Guided by the Ministry of Commerce, SASAC is also in charge of the China Group Companies Association, which represents several of the steel SOEs listed above, acting as a bridge between corporations and the government to promote research, training, and cross-border operations, liaison to report corporate concerns to the State Council and provides advisory services on economic policy. Its board of directors is composed of senior government officials and top SOE managers. The China Group Companies Association is one of several institutional bridges between the SOEs and the government.

ii) The Party cadre management system

[117] With respect to corporate governance, SASAC appoints, removes and evaluates top executives of the central SOEs and manages leadership appointment in conjunction with the Central Organization Department of the CPC.[113] Governance is thus carried out within two parallel structures, including a party-based structure that shadows the corporate hierarchy, especially as to high-level managerial appointments.[114] The SASAC will generally appoint senior managers which are Party members.[115] This is indeed the case with the state-owned steel companies, as will be discussed below. By holding both economic and political roles, their career advancement is tied to fulfilling both business targets and political obligations, aligned with the Party's mission. The performance evaluation system will include strategic indicators tied to the Government's goals.[116] As a scholar puts it "The Chinese Communist Party is the real hand in the glove of state ownership in China. As the single-ruling party, it controls all the important institutions in politics, business, media, academia, and every sphere of public life in China".[117]

[118] The chief control mechanism is the Party's sophisticated but opaque personnel management over key positions in important institutions, including SOEs."[118] In its assessment of China as a non-market economy, the United States Department of Commerce has also determined that the CPC's ability to appoint key personal in enterprises and participate in corporate decision-making through Party Committees in those enterprises

[113] Exhibit 241 (NC) CBSA Research Docs 2; "5. SASAC what we do.pdf"; State-owned Assets Supervision and Administration Commission of the State Council's website - What we do; accessed February 10, 2026; http://en.sasac.gov.cn/2018/07/17/c_9258.htm .

[114] Exhibit 241 (NC) CBSA Research Docs 2; "2. Understanding the mechanism of state capitalism in China.pdf"; We are the (National) Champions: Understanding the Mechanisms of State Capitalism in China; Li-Wen Lin and Curtis J. Milhaupt; Stanford Law Review, April 2013, p.14

[115] Exhibit 241 (NC) CBSA Research Docs 2; "2. Understanding the mechanism of state capitalism in China.pdf"; We are the (National) Champions: Understanding the Mechanisms of State Capitalism in China; Li-Wen Lin and Curtis J. Milhaupt; Stanford Law Review

[116] Exhibit 241 (NC) CBSA Research Docs 2; "2. Understanding the mechanism of state capitalism in China.pdf"; We are the (National) Champions: Understanding the Mechanisms of State Capitalism in China; Li-Wen Lin and Curtis J. Milhaupt; Stanford Law Review, April 2013, pp. 37-43

[117] Exhibit 241 (NC) CBSA Research Documents 2; "7. State Ownership and Corporate Governance in China.pdf"; State Ownership and Corporate Governance in China: An Executive Career Approach; Lin-Wen Li; ([forthcoming in 2013]) 3 Colum Bus L Rev 743, p.2

[118] Exhibit 241 (NC) CBSA Research Docs 2; "7. State Ownership and Corporate Governance in China.pdf"; State Ownership and Corporate Governance in China: An Executive Career Approach; Lin-Wen Li; ([forthcoming in 2013]) 3 Colum Bus L Rev 743, p.2

consisted of an important channel for government influence over firm decision making.[119] In fact, the Department of Commerce saw the CPC as having the ultimate power over such appointments, and that such ability resulted in significant influence over the SOE's decision-making and compliance with government directives an objectives.

[119] SASAC also drives the reform and strategic reorganization of SOEs, approving mergers and acquisitions. This role has particularly had a high impact on the steel industry, given the government priorities for the industry discussed above.

[120] SASAC also has the role to ensure that SOEs align with national development strategies.[120] For example, SOEs must submit their development strategies and five-year plans to SASAC for examination and approval, ensuring they align with national goals, such as those in the government Five-Year Plans.[121] Senior managers can also be directed to localize supply chains. As mentioned above, by controlling the appointment of the SOE's executives, SASAC and the CPC are able to ensure that top management include Party members who are as much concerned with political obligations than meeting business targets.

iii) The Party's participation in corporate decision-making

[121] Central SOEs have included Party building in their articles of association. As such, Party Committees with their supervision role, form an important part of the governance structure, and Party building is an important priority.[122] The role of such Party Committees within SOEs is codified in the Constitution of the Chinese Communist Party. [123] Further, the requirement of SOEs to amend their corporate charters to incorporate requirements for Party-building work stems from the 2015 "*Guiding Opinions on Deepening the SOE Reform*[124]".[125]

[122] It is said that each SOE's Local Party Committee is mandated to discuss and has veto power over major corporate decisions before the proposed decisions are discussed by the board of directors (the ex-ante procedure) and that Party Committee members also serve as directors and supervisors and participate in decision-making.[126] The role of the Local Party

[119] Exhibit 241 (NC) CBSA Research Docs 2; "10. China's Status as a Non-Market Economy.pdf"; China's Status as a Non-Market Economy; United States Department of Commerce A-570-053, October 27, 2017 p. 6, 82-88

[120] Exhibit 267 (NC) – CBSA Research docs. 3; "Google explains role of SASAC.pdf" – accessed Feb. 11, 2026

[121] Ibid.

[122] Exhibit 241 (NC) CBSA Research Docs 2; "3. Reform Development and Party Building in.pdf" ;; Reform, Development and Party Building of State-owned Assets Supervision and Administration Authorities and SOEs in the New Era, June 21, 2022

[123] Exhibit 241 (NC) CBSA Research Docs 2; "12. Full+text+of+Constitution+of+Communist+Party+of+China.docx"; Constitution of the Communist Party of China (Amendment); Revised and adopted at the 20th National Congress of the Communist Party of China on October 23, 2022;; for example, at Article 33

[124] http://www.law-lib.com/LAW/law_view.asp?id=507433

[125] Exhibit 267 (NC) – CBSA Research docs. 3; CPC boosts SOE guidance - Global Times.pdf

[126] Exhibit 241 (NC) CBSA Research Docs 2; "23. Political governance in China's state-owned enterprises - ScienceDirect.pdf"; Political Governance in China's State-owned Enterprises; China Journal of Accounting Research, Volume 15, Issue 2, June 2022; p.3, 12, 24-27

Committees in SOE decision-making is understood to have been first codified in the "*Notice of the CCCPC on Further Strengthening and Improving the Party Building Work of State-Owned Enterprises*", and this role was expanded in the 2010 "*Opinions on Further Encouraging State Owned Enterprises to Implement the 'Three Critical and One Important' Collective Decision-Making Policy*" (hereafter, the TCOI Policy).[127]

[123] Under the TCOI Policy, decisions that have major impact on the company's strategic direction or structural changes, are regarded as "Critical and Important" decisions, and are to be made collectively with the inclusion of the Party Committee. Specifically, the "Three Critical" decisions refer to important corporate, personnel appointment, and project decisions, while the "One Important" decision refers to decisions relating to significant oversized capital expenditure.[128] The critical corporate decisions feature direct involvement in the fulfillment of external goals, such as national security and stability, as well as the Party's presence within the SOEs. The second critical decision relates to the appointment of government officials, while the critical project decisions regards major decisions regarding corporate expansion, bankruptcy, restructuring, mergers and acquisition, asset adjustments, property rights transfers, external investments, profit redistribution, and institutional restructuring. The One Important decisions regards monetary decisions that are not within the company's total annual budget authorized by the company or SASAC.[129] TCOI decisions are to be made collectively though the corporate decision-making bodies, that include Party Committee and the Board of directors and management team. The role of the Party Committee is deemed important in imposing political objectives on the SOEs, particularly for strategically important firms such as the large state-owned steel producers.

iv) Intra-Party supervision

[124] To complete the political governance is a system of monitoring mechanism done with the installation of Discipline Inspection Committees within the state sector. Their main function include safeguarding the Party's rules, inspecting the implementation of the Party's policies, monitoring the exercise of power by leading cadres and preventing corruption.[130]

[125] Complementing the discussion above, the Government of China's influence or control over these six massive steel SOE's strategic direction, corporate governance, and top-level personnel decisions, is briefly discussed below.

[127] Ibid. at p. 24
[128] Exhibit 241 (NC) CBSA Research Docs 2; "16. State-owned enterprises in China.pdf"; State-owned Enterprises in the Chinese Economy Today, Role, Reform an Evolution; University of Alberta China Institute, 2018
[129] Exhibit 241 (NC) CBSA Research Docs 2; "16. State-owned enterprises in China.pdf"; State-owned Enterprises in the Chinese Economy Today, Role, Reform an Evolution; University of Alberta China Institute, 2018, p. 13-14
[130] Ibid. p. 12, 27

China Baowu Steel Group

[126] China Baowu Steel Group Corporation (Baowu), which was formed by the government-driven merger of Baosteel Group and Wuhan Iron and Steel in 2016[131], is the largest global steel producer, accounting for about 13% of Chinese crude steel production and about 7% or global production.[132] The company is under the direct administration of China's central government, supervised by SASAC. [133]

[127] According to Fitch Ratings, one of the "Big Three" credit rating agencies (along with S&P and Moody's) that assesses the creditworthiness of borrowers, including corporations, governments, and financial institutions, the government decision-making and oversight over Baowu is assessed as strong due to the company's high strategic importance to the state.[134] Fitch Ratings considers that the central government "…exerts control over the company's board and senior management, and has strong influence over the group's key operation, strategies and investment decisions."[135] In light of the strong government support, Fitch Ratings equalized Baowu's credit ratings with those of the Chinese sovereign (A+/Negative). Other credit rating agencies also list as rationale for Baowu's strong credit rating the continued strong track record of government support, due to its aims to serve the national strategy to enhance industrial competitiveness and upgrade the industrial structure in China's steel-producing sector.[136]

[128] China Baowu Steel Group is indeed considered of paramount strategic, economic, and industrial importance to the government of China, seen as an engine of national industrial strategy and consolidation, as economic pillar, a key partner for the green transition and decarbonization, a tool for resource security and geopolitical influence, as well as for economic and social stability.[137]

[129] With respect to corporate governance, Baowu's website lists as member of Baowu's Board of Directors, its Chairman Hu Wangming as a Secretary of the Communist Party of China (CPC), its Director Hou Angui, as President and Deputy Secretary of the CPC and Director Wang Xuxiang as Deputy Secretary of the CPC, along with three outside directors.[138] Its management team is also fully composed of CPC members.[139]

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[131] Exhibit 267 (NC) – CBSA Research docs. 3; "Baowu rating.pdf"; Fitch Rating for China Baowu Group Corporation, Feb. 24, 2025

[132] Exhibit 2 (NC) – Complaint – Forged Grinding Media; Exhibit 34 - 2025 World Steel in Figure, p.9, Worldsteel Association

[133] https://www.baowugroup.com/en/about/company_profile

[134] Exhibit 267 (NC) – CBSA Research docs. 3; "Baowu rating.pdf"; Fitch Rating for China Baowu Group Corporation, Feb. 24, 2025

[135] Ibid.

[136] Exhibit 267 (NC) – CBSA Research docs. 3; "CSPI ratings Baowu.pdf"; Dec 8, 2023

[137] Exhibit 267 (NC) – CBSA Research docs. 3; "importance of Baowu.pdf"

[138] Exhibit 267 (NC) – CBSA Research docs. 3; "Baowu board of director.pdf", from website https://www.baowugroup.com/en/about/board_of_directors, accessed February 17, 2026

[139] https://www.baowugroup.com/en/about/management_team , accessed February 17, 2026

AnSteel Group (Angang Group)

[130] Ansteel Group is the second largest steel producer in China, and third in the world.[140] Per the company's website description, it originated from the merger and reorganization of Anshan Iron and Steel Group Corporation and Pangang Group Co.[141]

[131] In terms of its corporate governance, according to Ansteel website, all of its senior management team are also CPC members (e.g. Secretary of CPC, Vice secretary of CPC, Standing committee members of CPC, Secretary of committee for discipline inspection, etc).[142]

[132] Ansteel's Sustainability Report[143] as well as its latest interim financial report[144] provide ample details as to the importance of Party committees within Ansteel and its commitment to follow party guidance. For example, the 2023 Sustainability Report states that "We take the guidance of General Secretary Xi Jinping' s important remarks and instructions as the fundamental principles for planning various tasks. By holding the Standing Committee meetings of Party Committee and special meetings, we detail implementation plan for each task and ensure thorough and effective implementation of all tasks with a conscientious working attitude."[145] It also says "Party organizations at all levels of Ansteel resolutely shoulder the political responsibility of managing and governing the Party".[146] Its 2025 Interim Report discusses the leading role of Party building and its political leadership and enforcement of Party governance[147].

HBIS Group Co. Ltd. (Hesteel Group)

[133] HBIS Group is the third largest steel producer in China, and is owned by the government of the Hebei province, via the Hebei SASAC. The group was founded in 2008 by a decree of the Hebei provincial government, merging Tangshan Iron and Steel Group and Handan Iron and Steel Group to consolidate the sector.[148]

[134] Fitch rating reports state's that the HBIS groups ratings are derived from the assessment of the creditworthiness of the Hebei province on the basis of strong precedent of support and high likelihood of continued support by the Hebei government, such as: consistent annual subsidies and tax refunds, asset injections to boost iron-ore reserves and raw material self-sufficiency, designated funds for HBIS to upgrade and improve its operations and to assist in its strategic transition, and strong incentive for support due to its status with the government

[140] Exhibit 2 (NC) – Complaint – Forged Grinding Media; Exhibit 34 - 2025 World Steel in Figure, p.9, Worldsteel Association
[141] http://en.ansteel.cn/about/company_profile/; accessed February 17, 2026
[142] http://en.ansteel.cn/about/jituangaoguan/
[143] Ansteel Sustainability Report 2023
[144] Exhibit 267 (NC) – CBSA Research docs. 3; Ansteel 2025 Interim Report
[145] Exhibit 267 (NC) – CBSA Research docs. 3; "Ansteel Sustainability Report 2023.pdf", p. 70
[146] [146] Exhibit 267 (NC) – CBSA Research docs. 3; "Ansteel Sustainability Report 2023.pdf",, p.72
[147] Exhibit 267 (NC) – CBSA Research docs. 3; Ansteel 2025 Interim Report., p. 13
[148] https://en.wikipedia.org/wiki/Hesteel_Group

as economically and strategically important to the region[149]. It states that the Hebei government has singled out the steel industry as one of the key development areas in its development plan.[150] According to Fitch rating, "HBIS operates as a platform to consolidate, manage and invest in state-owned assets related to the steel industry", with substantial support received, and strong government oversight and decision-making.[151]

[135] As per the company's website, HBIS governance is also substantially tied to the CPC[152].

Shougang Group

[136] The Shougang Group, controlled by the central SASAC, is the sixth largest steel producer in China.

[137] According to Fitch rating, the Beijing SASAC maintains a high level of control over the company's management appointments, strategy and operations, supported by Shougang's key role in driving the economic development of west Beijing, which is highly strategic to the city's development under its five-year plan.[153] According to the rating agency, Shougang has a strong support precedent and strong likelihood of continued support, having consistently received capital injections and subsidies from the government to support its transition to a diversified public-service provider. Tailored policies support Shougang's projects and offer debt pressure relief. For example, the Beijing Finance Bureau has provided a total of CNY15 billion to help the company set up Beijing Shougang Fund Co., Ltd. to support Shougang's transition and project development. Fitch rating also assessed Beijing municipality's decision-making and oversight of Shougang as very strong as its key projects are strategically significant to the government, and Shougang's preservation of the government's policy role as "Strong".

[138] Similarly to the other steel SOEs, Shougang's Board of Director and senior management is strongly tied to the CPC.[154]

Hunan Iron & Steel Group

[139] Hunan Iron & Steel Group, formerly known as Hunan Valin Iron & Steel Group Co., Ltd, is another massive state-owned producer, jointly established by the three major iron and steel enterprises in Hunan Province at the end of 1997: Xiangtan Iron and Steel, Lianyuan Iron and Steel, and Hengyuan Iron and Steel. Hunan Iron & Steel Group is primarily controlled by the Hunan Provincial SASAC.

[149] Exhibit 267 (NC) – CBSA Research docs. 3; Fitch rating HBIS 2025.pdf - https://www.fitchratings.com/research/corporate-finance/fitch-affirms-hbis-at-bbb-outlook-stable-08-07-2025 ; Fitch Rating HBIS 2024.pdf"; Fitch report HBIS, 2023.pdf;
[150] Exhibit 267 (NC) – CBSA Research docs. 3; Fitch rating HBIS 2025.pdf
[151] Ibid.
[152] https://www.hbisco.com/en/about/team
[153] Exhibit 267 (NC) – CBSA Research docs. 3; Fitch rating Shougang 2025.pdf
[154] Exhibit 267 (NC) – CBSA Research docs. 3; Shougang 2023 Annual report.pdf

[140] As stated in Valin Steel 2024 Sustainability report, Valin Steel (the principal producer forming part of the Hunan Steel Group) has consistently prioritized Party-building leadership and firmly shouldered political responsibilities.[155] The company's top management is also member of CPC.[156]

Shandong Steel Group (now part of Baowu)

[141] Shandong Steel Group is the sixth SOE forming part of the top-ten steel producers in China. Shandong Steel Group was consolidated with Baowu (the largest steel producer discussed above) in December 2023. Baowu, which is controlled by the central government SASAC, holds a 49% stake in the company, while the Shandong SASAC also holds a 49% stake (via state-owned Shandong Huiji Xinsheng Investment Co., Ltd.). As stated on its website, Shandong Iron and Steel Group earnestly fulfills the political, social, and economic responsibilities of state-owned enterprises, and comprehensively strengthens Party building and leadership.[157]

EVIDENCE OF SUBSIDIZATION OF THE LONG-PRODUCT STEEL SECTOR

[142] There is evidence of significant subsidizing of the Chinese steel industry, including the long-product steel sector. Of particularly interest are past trends in government support that led to or supported the over-capacity and excess supply that continued to characterize the industry during the POI, as well as the continuing subsidization, particularly pertaining to the capacity replacement policies. Also of particular interest is the use of below-market-borrowing as a key instrument to support steel firms; as well as direct grants, equity infusions, debt-for-equity swaps, tax subsidies, subsidized energy, etc. The support distorts competition by providing aid to facilities that might otherwise be closed, and incentives for investment that might otherwise be commercially unjustified.[158] Evidence also points to a correlation between the subsidizing of the steel industry and overcapacity, and its depressing effect on steel prices in China, including on long-products. This issue is indeed referred to as "non-market excess capacity".[159]

[143] OECD studies affirm that Chinese steel producers receive significant subsidies, significantly more so (at 5 to 10 times the level) than producers located in other countries, and which are disproportionately directed towards firms with higher government ownership, larger size and greater indebtedness.[160] The OECD estimate that steel subsidies – at least those that can be more easily measured or estimated – have generally hovered between 2% and 3% of firm revenue, on average, with significant increases in times of crisis (e.g. such as during the

[155] Exhibit 267 (NC) – CBSA Research docs. 3; Valin steel sustainability report 2024.pdf, p16-17
[156] https://www.bagevent.com/event/8754039?sId=73504
[157] https://www.shansteelgroup.com/home/gysg/gysgen.html; accessed March 3, 2026
[158] Exhibit 241 (NC) – CBSA Research docs. 1; "4. OECD Steel Outlook 2025 (EN).pdf"; OECD Steel Outlook 2025, OECD Publishing, Paris, 2025
[159] Exhibit 267 (NC) – CBSA Research docs. 3; "china's excess steel.pdf"; https://clcouncil.org/blog/chinas-excess-steel/
[160] Exhibit 241 (NC) – CBSA Research docs. Vol. 1; "1. OECD - Driver and Impact of Steel Subsidies.pdf"; The Drivers and Impacts of Subsidies to Steel Firms, OECD Science, Technology and Industry, Policy Papers, October 2025, No. 184, p.1

2008 financial crisis and the 2015-2016 steel crisis), where they increased as high as 7% of revenue, on average.[161] The OECD also indicated that such rates of subsidization is likely underestimated because the methodology does not capture some measures such as equity infusion and debt-for-equity swaps, which are difficult to estimate due to lack of transparency and methodological difficulties.[162]

[144] The OECD also found that the Chinese government's ambition to create "National Champions" favours SOEs, granting them greater access to credit, technology, and markets, leading to a distorted playing field.[163] The OECD study has also clearly linked the level of subsidy with capacity expansion as well as with the maintenance of capacity especially in times of crises, describing the issue as a "subsidy-driven excess capacity".[164] As stated by the OECD, such pervasive subsidization leads to capacity expansion that could not occur under market conditions, or keeps loss-making steel producers in the market, encouraging them to maintain their steel production levels. Subsidies distorts markets by generating excess capacity and fueling oversupply of steel, driving prices down. Further, for several reasons, such as the long lifespan of steel plants, excess capacity generated by these policies have negative effects that linger on for decades.[165]

[145] The record contains evidence[166] that government policies – particularly its subsidies – played a strong role in: creating and exacerbating excess capacity in the steel sector, starting with the support of zombie companies which, as mentioned earlier, were estimated as accounting for more than half of the industry 10 years ago; to the government-led expansion (i.e. especially their scale-orientation[167]) and financing of state-owned enterprises in the industry; to the government's capacity replacement policies and related support.

GOVERNMENT INFLUENCE OVER STEEL INPUTS

[146] Another way that the Government of China keeps domestic steel prices artificially low is by influencing the cost of its inputs. In addition to the substantial level of government ownership withing the steel industry, there is also a strong level of government ownership and involvement further upstream, such as in iron ore mining, procurement, and logistics, metallurgical coal mining, ferrous scrap processing and other raw materials.

[161] Ibid., p. 18
[162] Exhibit 241 (NC) – CBSA Research docs. Vol. 1; "4. OECD Steel Outlook 2025 (EN).pdf"; OECD Steel Outlook 2025, OECD Publishing, Paris, 2025; p.18
[163] Exhibit 241 (NC) – CBSA Research docs. Vol. 1; "1. OECD - Driver and Impact of Steel Subsidies.pdf"; The Drivers and Impacts of Subsidies to Steel Firms, OECD Science, Technology and Industry, Policy Papers, October 2025, No. 184.
[164] Ibid.
[165] Exhibit 241 (NC) – CBSA Research docs. Vol. 1; "4. OECD Steel Outlook 2025 (EN).pdf"; OECD Steel Outlook 2025, OECD Publishing, Paris, 2025; p.18-19
[166] See Exhibit 241 (NC) – CBSA research documents
[167] Exhibit 241 (NC) – CBSA Research docs. Vol. 2; "37. SOEs Scale Orientation, Government Subsidies, and Overcapacity.pdf" State-owned Enterprises' Scale Orientation, Government Subsidies, and Overcapacity: An Analysis from the Perspective of Game Theory; Haiqing Lyu; Modern Economics & Management Forum; Volume 6 Issue 2, 2025

[147] Iron ore for instance represent the largest single cost in steelmaking for integrated producers (i.e. most steel producers in China), typically about 35-40% of cost of production.[168]

[148] In 2022, the Government of China established the China Mineral Resources Group (CMRG) as a centrally-owned SOE to act as a unified buyer for about 20 of the largest Chinese steelmakers.[169] The CMRG was created to increase Beijing's control over raw material procurement. It now reportedly coordinates more than 85% of iron ore purchases for China's steel industry. It can also act as a national reserve, which is released when the country's steel industry is experiencing difficulties or accumulated at low prices.[170] It is also said that the CMRG is also aiming to develop domestic iron ore resources, and oversee development of mines overseas, such as the Simandou mine in Guinea[171], reportedly the world's largest, highest-grade untapped iron ore deposit, which recently began operations[172]. The Government of China is said to have financed billions into its development, including funding for a 600 km heavy-haul railway and for the acquisition.[173]

[149] The massive state-owned steel producers discussed above are also involved further upstream in iron ore. For example, Baowu, the largest steel producer in China, is part of the consortium with ownership into the Simandou iron ore mine. Ansteel is a major player that owns and operates large-scale iron ore mines, including the Xi'anshan mine being developed in Liaoning.[174] HBIS Group is heavily involved upstream, controlling significant domestic iron ore mines like the Sijiaying North Mine. Other key assets include the Zhongguan Mine in Hebei, while partnering on international projects like Peru's Pampa de Pongo and Canada's Kami project.

[150] For steel produced via the EAF production method, a method that the Chinese government is pushing the industry to convert more of its production to, steel scrap represent an important proportion of cost – as much as 70%.[175] Even in BOF production, scrap represent 5-10% of cost. In order to secure its supply for domestic steel producers and keep the cost of scrap steel down, the Government of China has maintained a high 40% export tax rate on steel scrap products for several years.[176] Since 2026, the export of scrap, along with billet and other steel products, are also subject to quotas[177]. Restrictions on the export of products increases the domestic supply with a suppressive effect on prices.

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[168] Exhibit 267 (NC) – CBSA Research docs. 3; "Steel Cost Structure FAQ.pdf" Steelonthenet.com
[169] Exhibit 267 (NC) – China's new state-run agency to start iron ore purchases.pdf
[170] Exhibit 267 (NC) – China's CMRG plays a prominent role in the country's iron.pdf
[171] Exhibit 267 (NC) – China's new state-run agency to start iron ore purchases.pdf
[172] Exhibit 267 (NC) – CBSA Research docs. 3; 20 billion simandouiron ore prject begins operations.pdf
[173] Exhibit 241 (NC) CBSA Research Docs 2; "13. China acquisition of Simandou mine.docx"
[174] Exhibit 267 (NC) – CBSA Research docs. 3; "China breaks ground on major underground iron ore mine project.pdf"
[175] Exhibit 267 (NC) – CBSA Research docs. 3; "steel cost structure.pdf"; (https://www.steelonthenet.com/essentials/production-costs.html, accessed April 10, 2026)
[176] Exhibit 267 (NC) – CBSA Research docs. 3; Scrap- China maintains 40% export tariffs in 2024.pdf ; https://steelnews.biz/scrap-china-maintains-40pc-export-tariffs-in-2024/
[177] Exhibit 267 (NC) – CBSA Research docs. 3; "Updated- China to introduce steel export quotas.pdf;" https://www.recyclingtoday.com/news/china-steel-export-quotas-customs-system-2026/, accessed April 10, 2026

[151] Metallurgical coal / coke is also an important steel cost component, for integrated steel producers, representing 20-25% of their cost of production (as mentioned, 90% of steel production in China is made in BOF plants).[178] Just like steel, China is the largest coal producer. The conditions of the coal industry are very similar to those of the steel industry, characterized by persistent "subsidy-driven overcapacity and oversupply", support of zombie enterprises and heavy government involvement.[179] Again, non-market conditions help maintained low-costs for another important input for the Chinese steel industry.

[152] Electricity account for 4-6% of cost in BOF plants, or about 12-18% in EAF plants.[180] The record also contains evidence that steel producers benefit from subsidized electricity. Similarly, natural gas is also allegedly affected by government influence.

[153] Furthermore, while not a material input, the provision of capital at below-market cost also significantly lowers the cost of borrowing, keeping the cost of investments in productive input down, and contributing to increases in production capacity, with a depressive effect on prices.[181]

IMPACT OF GOVERNMENT CONTROL OVER THE LONG-PRODUCT STEEL SECTOR

[154] The CBSA believes that this reports strongly supports that a combination of subsidies and Chinese policies leading to overcapacity and excess supply created a "high-supply/low-cost" environment in the Chinese steel industry, an environment that creates systemic deflationary pressure on domestic goods. The CBSA's analysis also supports that the overcapacity and excess supply conditions are mainly subsidy-driven, a result of the Government of China's persistent interventions, control and support of the industry.

[155] While other factors contribute to the low-cost or low-price environment, such as the scale and vertical integration of the producers, the fragmentation of the industry and intense competition, and its rapid automation and technological shift, even such factors are generally partly the result of or were influenced by government intervention and support. Generally speaking, the prices of steel bar and billet in the Chinese domestic market are mainly suppressed by the subsidizing of the steel industry, especially SOEs, and due to the persistent "subsidy-driven excess capacity and supply" in the industry. The subsidizing of the industry, including with respect to steel inputs, are keeping production and operating costs artificially low. It also leads to excess capacity and supply, further driving prices artificially lower.

[156] The following section will further demonstrate the extent of the deflationary pressure on domestic steel bar.

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[178] Exhibit 267 (NC) – CBSA Research docs. 3; "steel cost structure.pdf"; https://www.steelonthenet.com/essentials/production-costs.html

[179] For example, see Exhibit 267 (NC) – CBSA Research docs. 3; "subsidies-coal-production-in-china.pdf"

[180] Exhibit 267 (NC) – CBSA Research docs. 3; "steel cost structure.pdf";

[181] Exhibit 241 (NC) – CBSA Research docs. Vol. 1; "1. OECD - Driver and Impact of Steel Subsidies.pdf"; The Drivers and Impacts of Subsidies to Steel Firms, OECD Science, Technology and Industry, Policy Papers, October 2025, No. 184.

QUANTITATIVE ANALYSIS - MERCHANT BAR PRICES

Price Comparison with Benchmark Country

[157] As mentioned earlier in this section, at the time of initiating the investigation, the CBSA sent RFIs to a number of FGM producers in Brazil, Chile, Mexico and Peru, seeking data from potential surrogate producers for the purposes of potentially determining normal values pursuant to section 20 of SIMA. The CBSA believed that these Latin American countries were appropriate potential options for surrogate countries for FGM because they have domestic production of FGM and a domestic market (i.e. a sizable mining industry) and to the best of the CBSA's knowledge, are competing under fair market conditions. Two FGM producers, Moly-cop Chile and Moly-cop Mexico, provided a response to the Surrogate producers RFI. As part of their responses, these producers provided a database containing data on all purchases of their significant input material during the POI. Such data regards the proper higher grades of material required to produce FGM.

[158] As discussed in the CBSA's *Statement of Reasons* issued at the initiation of this investigation, the complainant maintained that

> "…to meet the quality requirements of FGM customers, the steel bars used to make FGM must be of a higher level of quality than typical "Merchant Bar" product for which there are available reported benchmarks. Specifically, steel bars used to make FGM are subject to additional production controls (such as vacuum degasification, higher reduction ratio and slower cooling processes) and they involve additional alloyed elements (such as carbon, chromium and manganese). According to the complainant, these additional features involve higher costs of production and, therefore higher prices, than the average "Merchant Bar" pricing reflected in the CRU benchmarks." [182]

[159] Further, depending on the physical characteristics of the steel bar used to produce FGM, some may be considered as merchant bar quality ("MBQ") while others, especially those used in the production of SAG balls, are considered as special bar quality ("SBQ").[183] In the complaint, Moly-Cop alleged that the appropriate steel bar specifications used in the production of FGM cost, on average, USD 90/MT more than the CRU benchmark price.[184] Changshu Longte Grinding Ball Co., Ltd. also estimated an amount for such quality difference[185].

[160] For the reasons enumerated in the confidential *Section 20 Report for the Final Determination*, the CBSA determined that Chile is not an ideal benchmark to compare with Chinese domestic merchant steel bar[186].

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[182] *Statement of Reasons* —Initiation of investigations: Forged Grinding Media (FGM 2026 IN); para. 64
[183] Ibid., para. 24
[184]Exhibit 2 (NC) - FGM Complaint; paras. 120-121
[185] Exhibit 422 (PRO) - Additional information relating to the response to supplemental request for information (SRFI) #3 from Changshu Longte Grinding Ball Co., Ltd
[186] Exhibit 454 (PRO) – Section 20 Report for the Final Determination, page 42.

[161] Moly-cop Mexico produces FGM from merchant bar, and reported its purchases during the POI.[187] Despite the high level of market penetration of Chinese merchant bar in the Mexican market, Chinese bar imports into Mexico is subject to customs duty. The duty rate was 25% in 2025 (increased to 35% since January 2026, after the POI). Duty assessed on Chinese imports into Mexico is believed to be limiting the negative impact of the low-priced Chinese imports on the domestic industry.

[162] In determining whether Mexico consist of an appropriate benchmark to compare domestic steel bar prices with Chinese domestic steel bar prices, the CBSA considered similarities and differences between the two markets.

[163] China and Mexico are both classified as upper-middle-income emerging economies[188], with similar GDP per capita adjusted for purchasing power parity. Manufacturing wages are cheaper in Mexico, by roughly 25%, with higher productivity in Mexico[189]. Labour is estimated as representing under 10% of the production costs for steel bars.[190] Electricity is significantly cheaper in China, though natural gas is significantly cheaper in Mexico. Overall, the two countries may end up with somewhat similar energy costs.

[164] The most impactful difference is believed to be the difference in the scale of production. Mexico's mills do not match China's massive domestic smelting capacity which allow for different economies of scale, although no other country truly matches this scale of production either.[191] Another consideration to give is the high import penetration of Chinese steel bar in the Mexican market which may exert a downward pressure of domestic prices, although import duties on Chinese bars may alleviate or eliminate the effect.

[165] Generally speaking, the CBSA believes that Mexico is a reasonable benchmark, though one must consider the impact of the large scale of production in China when interpreting the differences in costs and prices. The comparison of the actual purchases of merchant steel bar for FGM production from the respondents from China and Mexico also consist of the best information available, as it consist of the appropriate bar quality, the data is verified and it is adjustable for comparative purposes, such as for freight, quality, etc. The CBSA also notes that China has a scale advantage over any potential benchmark, and that to a degree, the extent of the scale advantage is itself partly a result of government intervention.

[166] For the purposes of the comparison, the CBSA amalgamated data on merchant steel bar purchases from all Chinese respondents[192] and determined monthly weighted average net purchase prices for merchant bar purchased for the production of FGM[193]. Monthly weighted

[187] Exh 424 (PRO) – Response to supplemental request for information (SRFI) #4 from Moly-Cop Mexico, S.A. de C.V.– Exhibit 5
[188] https://datatopics.worldbank.org/world-development-indicators/the-world-by-income-and-region.html
[189] "Mexico China cost comparison.pdf"; Manufacturing China vs Mexico / Cost Comparison; Why now is the time to move your manufacturing from China to Mexico; American Industries
[190] Exhibit 267 (NC) – Additional CBSA research documents, "steel cost structure.pdf"
[191] Exhibit 2 (NC) – Complaint – Forged Grinding Media; Exhibit 34 - 2025 World Steel in Figure, p. 9
[192] It is noted than one of the Chinese respondents reported billets as input, while the other four respondents, and both surrogate producers reported steel bar as input. For this reason, the comparison is limited to steel bar.
[193] Based on the responses to Appendix 5.

average prices were determined for MBQ and SBQ, separately. The weighted average monthly prices were converted to USD using the average monthly currency exchange rate, for comparison purposes.

[167] The CBSA also determined a weighted average monthly net prices in USD for merchant steel bar purchases reported by Moly-cop Mexico, for FGM production, purchased from domestic sources.[194] Monthly weighted average prices were determined for MBQ and SBQ. The prices were exclusive of freight and taxes.

[168] Where data was available for both markets, in the same period and for the same quality, the CBSA then compared prices in both markets. For the purposes of the comparison, the prices from both markets were weighted on the basis of the corresponding volume in the Chinese market. The CBSA determined that Chinese FGM producers are able to acquire their principle input at a weighted average price that is substantially lower than the price paid by FGM producers in Mexico for substantially the same locally produced products, at substantially the same time.

Price Comparison with Published Benchmarks

[169] The record also contains published prices for merchant steel bar, as published by CRU, a world-renowned price reporting agency that tracks, analyses and reports on global steel prices, trends and more[195]. Even though the steel bars used to make FGM are of a higher level of quality than typical "merchant bar" product for which there are available reported benchmarks, these benchmarks nevertheless provide a representative overview of the price differential between merchant bar prices in China with other reference points. The CRU data on the record include prices for merchant steel bar for China (ex-warehouse Shanghai, VAT included), Asia (CFR non-CIS import basis), Germany (delivered), Italy (delivered) and USA Midwest (FOB mill).

Asia

[170] The CBSA does not consider a comparison with the published price for Asia as an appropriate comparison point because it consist of a benchmark for a non-CIS origin import price (into South-East Asia) that is inclusive of steel bar from China. China is believed to represent a dominant share of that open-origin benchmark, based on its share of that market.

Europe (Germany and Italy)

[171] In its case brief, Chanchu Longte suggests that while not perfect, a comparison with the published European merchant bar prices (Germany/ Italy) provides the most appropriate comparison available, based on the available CRU published prices.[196]

[194] Appendix 5 of the Dumping RFI and the Surrogate Producers RFI requests detailed information on purchases of the inputs that are a significant factor in the production of FGM.

[195]Exhibit 1 (PRO) FGM Complaint, exhibit 20; Exhibit 7 (PRO) – CBSA's Complaint Analysis., p.22; Exhibit 422 (PRO) - Additional information relating to the response to supplemental request for information (SRFI) #3 from Changshu Longte Grinding Ball Co., Ltd

[196] Exhibit 430 (NC) - Case brief filed on behalf of Changshu Longte Grinding Ball Co., Ltd; para. 13

[172] Chanchu Longte points out that unlike the Chinese prices, the European prices are on a delivered basis, and that as such, an adjustment is necessary to back out the delivery charge.[197] While the CBSA agrees with the necessity to adjust the German and Italian prices, the CBSA disagrees that the cost to move FGM from China to Canada, which was the basis for the adjustment suggested by Chanchu Longte, provides a reasonable basis to estimate the domestic delivery costs within Germany or Italy.

[173] Using the average of the inland freight reported by Longte in its Case brief, and the inland freight reported by Moly-cop Chile and Mexico for their bar purchase, or even when using the highest domestic freight reported by one of these parties, to estimate an ex-work European price, the adjusted CRU data shows that Chinese bar prices were substantially lower than the adjusted European prices (i.e. the average of Germany and Italy) during the POI.

[174] Considering that the CRU prices for China are VAT-included, the Chinese prices should also be adjusted). After this adjustment, the differential with the European adjusted price (using the highest freight) increases even higher. The differential would be even higher if the inland freight to move bar from the mill to Shanghai warehouse is also deducted.

[175] As argued by Changshu Longte in its case brief, if section 20 conditions existed in respect of the Chinese FGM sector, one would expect to observe artificially depressed input prices.[198] This is precisely what the CBSA is observing. Even if Europe is, as argued by Changshu Longte, not a perfectly comparable benchmark market to Asia because of general higher costs in the region[199], the CBSA believes that the evidence on the record nevertheless suggests a significant price differential between domestic prices in China and those in different markets, which it believes is largely attributed to government intervention in the Chinese steel market, including the direct effect of the subsidizing of the industry on the industry's cost structure, as well as the indirect effect of the subsidizing on overcapacity, with its resulting pressure on prices.

USA

[176] Finally, the record also include CRU published prices for USA Midwest (FOB mill). A comparison with this benchmark shows Chinese domestic price that are 59.5 % lower than the US benchmark. The differential increases to 64.2% with VAT removed from the Chinese prices.

[177] Changshu Longte argued that the United States Midwest is an inappropriate benchmark for comparison because it "has been significantly distorted in 2025 because of U.S. extraordinary tariff measures".[200]

[197] Ibid. para. 14
[198] Exhibit 430 (NC) - Case brief filed on behalf of Changshu Longte Grinding Ball Co., Ltd; para. 15
[199] Exhibit 430 (NC) - Case brief filed on behalf of Changshu Longte Grinding Ball Co., Ltd; para. 13
[200] Exhibit 430 (NC) - Case brief filed on behalf of Changshu Longte Grinding Ball Co., Ltd; para. 13.

DEMONSTRATING THAT THE SELLING PRICES OF FGM ARE NOT SUBSTANTIALLY THE SAME AS THEY WOULD BE IF THEY WERE DETERMINED IN A COMPETITIVE MARKET

FGM MARKET:

[178] While detailed data on the FGM market is rather scarce, according to one market report, global production of FGM is estimated at 5.6 million MT in 2025, valued at USD 3.715 billion.[201] According to another market report[202], China accounts for roughly 14% of the global market, on the basis of value[203]. On the basis of these estimates, the CBSA estimated the Chinese domestic market at roughly 785,260 MT to one million MT. [204] Its exports are estimated at above 1 million MT, revealing a significant oversupply.[205]

[179] The FGM industry in China is very fragmented, reflecting the overall steel industry. Based on a internet engine search for the production capacity of FGM for 34 specific known FGM producers, a list that is likely not all-exhaustive, the CBSA came up with a total estimated production capacity of over five million MT in China (see Appendix 1 of the Section 20 Report[206]). It is difficult to estimate the exact capacity for FGM as the stated capacity may include cast grinding media and other types of grinding media, or the capacity of some producers may be double-counted if the capacity of a subsidiary is counted as part of the capacity of its parent company. Nevertheless, the estimate is indicative of significant overcapacity. The five respondents alone have capacities in excess of 1.3 million MT[207].

[180] The political governance in the FGM sector specifically is unlikely to be comparable to that of the upstream long-products steel industry. The level of government ownership is more limited, estimated at about 8% of the sector.[208] While 92% of the producers are privately-owned, there is no evidence of direct government involvement in their corporate governance and decision-making. There are policies aimed at developing downstream use for steel goods in general, policies aiming at encouraging technological upgrading and policies aiming at encouraging the development of high-performance wear-resistant materials.

[181] For instance, Changshu Longte Grinding Ball Co., Ltd. indicated that high-performance grinding media manufacturing is included in the *List of Industries, Products and Technologies Currently Encouraged by the State for Development*, as well as in the *2024 Guidance Catalogue on Industrial Structural Adjustment,* guiding their product upgrading[209]. Similarly, the company states that the *14th Five-Year Plan for the Iron and Steel Industry (2021–2025)*'s

[201] Exhibit 267 (NC) – CBSA Research docs. 3; "Global FGM sales market report 2025.pdf"
[202] Exhibit 267 (NC) – CBSA Research docs. 3; "industry report.pdf"
[203] The reports estimates that Asia Pacific region account for 35.5% of the global market share and that China accounts for 39.5% of that share, which suggests a 14% global market share.
[204] Assuming value in China is 40% lower than elsewhere (the differential with Germany is being used as a potential average difference with global prices), then the 14% share of China based on value may represent a share of 20% based on quantity, which would suggest production of 1.12 million mt.
[205] https://oec.world/en/profile/bilateral-product/balls-ironsteel-forgedstamped-for-grinding-mills/reporter/chn
[206] Exhibit 454 (PRO) – *Section 20 Report for the Final Determination – FGM;* Appendix 1
[207] Per public sources; Exhibit 454 (PRO) – Section 20 Report for the Final Determination – FGM; Appendix 1
[208] Exhibit 454 (PRO) – *Section 20 Report for the Final Determination – FGM*; Appendix 1
[209] Exhibit 53 (NC) – Response to Section 20 RFI - Changshu Longte Grinding Ball Co., question B19, B21

focuses on green, intelligent steel development indirectly promoted stable and high-quality raw material supply for their company. The company stated that the Jiangsu local requirements urged the company to use environmentally friendly raw materials and improve energy efficiency.[210]

[182] These types of policies can provide subsidies and lead to technological upgrades which can increase production capacity, impacting both costs and prices of FGM. With respect to the results of the FGM subsidy investigation, the CBSA determined that FGM producers in China are subsidized by an amount equal to 2.2% of the export price (as a weighted average).

[183] Furthermore, since it is believed that the majority of FGM producers are related to integrated steel producers (the proportion for the respondents is 60% on the basis of the number of companies and 75% on the basis of capacity), the government intervention on the steel industry extends to the FGM producers via the corporate structure as well.

[184] Furthermore, the policies aimed at the steel sector have a substantial indirect impact on FGM producers. The significant government-induced overcapacity and oversupply in the steel sector, along with its significant subsidization of steel producers, including long-product producers, are resulting in substantially depressed domestic prices for merchant bar, an input that represent about 80% of the cost of production and sale of FGM. As discussed above, Chinese FGM producers are able to acquire their principle input at a weighted average price that is substantially lower than the price paid by FGM producers in Mexico or elsewhere to domestic suppliers for substantially the same products at substantially the same time.

[185] Further, overcapacity and oversupply in steel production, which evidence suggests are largely government-induced, creates a spillover effect leading to overcapacity and oversupply in downstream steel products such as FGM, as overcapacity and oversupply are converted into downstream products. For instance, as steel products such as steel billet and steel bar are produced in quantities that far surpass domestic demand, excess production is directed towards downstream products such as FGM in order to find new markets and bypass existing trade measures. As mentioned above, the CBSA estimated FGM overcapacity of several million MT.

[186] Considering the level of the substantial depression in the cost of its principle input material, and the level of production overcapacity and oversupply for FGM, a depressed domestic price for FGM is to be expected. The following quantitative analysis will demonstrate the extent of the price differential.

[210] Exhibit 53 (NC) – Response to Section 20 RFI - Changshu Longte Grinding Ball Co., question B20

PRICING ANALYSIS FOR FGM:

Price Comparison with Benchmark Country

Mexico:

[187] The CBSA believes that Mexico is a proper benchmark country to determine what Chinese FGM prices would be if they were determined under market forces. China and Mexico are both classified as upper-middle-income emerging economies[211], with similar GDP per capita adjusted for purchasing power parity. Manufacturing wages are cheaper in Mexico, by roughly 25%, with higher productivity in Mexico[212], though labour is not a significant factor of production. Electricity is significantly cheaper in China, though natural gas is significantly cheaper in Mexico. Overall, the two countries may end up with somewhat similar energy costs. Furthermore, both countries have domestic production of FGM and a domestic market (i.e. a sizable mining industry). To the best of the CBSA's knowledge, the Mexican FGM market is operating under fair market conditions. Finally, in light of the response to the Surrogate Producer RFI by a Mexican FGM producer, the investigation record contains detailed information on domestic prices in Mexico, allowing for a meticulous comparison between domestic prices in Mexico and China.

[188] A comparison of the weighted average domestic prices of FGM reported by the Chinese respondents with those reported by the Mexican producer reveals a substantial difference in prices. Using the data reported in Appendix 3 of the dumping RFI from all Chinese respondents, the CBSA determined monthly weighted average prices per ball sized, which were compared to the weighted average prices per ball sized in the same month, as reported by Moly-cop Mexico. The prices in both markets were net of freight, taxes, etc. For this exercise, the CBSA excluded sales between associated parties. The sales were not tested for profitability. No other adjustment to prices in either country was considered necessary in order to allow a proper basis for comparison.

[189] The analysis revealed that domestic prices in China are about half of the domestic prices in Mexico. The CBSA believes that the evidence included on the record support that such price differential can be largely attributed to the government of China's substantial intervention in the steel industry, including the long-product sector.

[190] Furthermore, since FGM producers reported negotiating prices of FGM with reference to published steel and raw material index prices, or by taking into consideration their cost of production, the prices of steel bar has a direct impact on the setting of the prices of FGM, whether in China or elsewhere. As such, depressed prices of steel bar will have a direct impact on the prices for FGM, as evidenced by the price analysis.

[211] https://datatopics.worldbank.org/world-development-indicators/the-world-by-income-and-region.html
[212] https://hub.americanindustriesgroup.com/insights/time-move-manufacturing-china-mexico/ Why now is the time to move your manufacturing from China to Mexico; American Industries

Chile:

[191] Similarly to Mexico, Chile also has domestic production of FGM, a domestic market (i.e. a sizable mining industry), and operates under fair market conditions. Also, in light of the response to the Surrogate Producer RFI by a Chilean FGM producer, the investigation record contains detailed information on domestic prices in Chile, allowing for a meticulous comparison between domestic prices in Mexico and China. On the other hand, Chile is at higher level of economic development than China. Per the World Bank, Chile is considered as a high income country while China and Mexico are considered at the upper middle income level.[213] Nevertheless, wages are lower in Chile than in China.[214] Labour only accounts for a minimal proportion of the total cost of production and sale of FGM. The CBSA believes that a comparison with Chilean domestic prices provides a reasonable second basis for forming an opinion on whether FGM prices in China are substantially the same as they would be if they were determined in a competitive market.

[192] A comparison of the weighted average domestic prices of FGM reported by the Chinese respondents with those reported by the Chilean producer, Moly-cop Chile, reveals a substantial difference in prices. Using the data reported in Appendix 3 of the dumping RFI from all Chinese respondents, the CBSA determined monthly weighted average prices per ball size, which were compared to the weighted average prices per ball sized in the same month, as reported by Moly-cop Chile. The prices in both markets were net of freight, taxes, etc. For this exercise, the CBSA excluded sales between associated parties. The sales were not tested for profitability. No other adjustment to prices in either country was considered necessary in order to allow a proper basis for comparison.

[193] The analysis revealed that domestic prices in China are almost half of the domestic prices for comparable products in Chile.

[194] As discussed above, the CBSA believes that the evidence included on the record support that such price differential can be largely attributed to the government of China's substantial intervention in the steel industry, including the long-product sector.

CONCLUSIONS REGARDING THE EVIDENCE ON THE LEVEL OF GOVERNMENT IMPACT ON PRICES

[195] The CBSA's analysis during the investigation suggests that the conditions described in paragraph 20(1)(a) of SIMA are applicable to the sector under investigation. The CBSA's analysis confirm that the Government of China substantially determines domestic prices of FGM mainly indirectly due to its persistent and significant interventions in the steel industry, including the long product sector (i.e. steel billet and steel bar) which result in significant suppression of the cost of the main input in FGM production.

[213] https://datatopics.worldbank.org/world-development-indicators/the-world-by-income-and-region.html
[214] https://wage.is/chile/vs/china/

[196] Further, a comparative analysis of the domestic prices reported by the Chinese respondents, and those reported by FGM producers in Chile and Mexico revealed that Chinese domestic prices are approximately half of FGM prices in the potential surrogates' markets. As such, the CBSA believes that its analysis provides sufficient reasons to believe that the Chinese domestic prices of FGM are not substantially the same as they would be if they were determined in a competitive market.

RESULTS OF THE DUMPING INVESTIGATION

COOPERATIVE EXPORTERS

[197] Where section 20 conditions exist, the CBSA may determine normal values using the selling prices, or the total costs of production and profit, of like goods sold by producers in a surrogate country designated by the President, in accordance with the provisions of paragraph 20(1)(c) of SIMA.

[198] As part of the section 20 inquiry, the CBSA identified Brazil, Chile, Mexico and Peru as reasonable surrogate countries for China. These countries were selected as they produce comparable goods, have a domestic market and operate under competitive market conditions. The CBSA received responses to the Surrogate Producer RFI and subsequent SRFIs, from Moly-Cop Chile, S.A and Moly-Cop Mexico, S.A. de C.V., producers of FGM located in Chile and Mexico, respectively. Verification of the information submitted by Moly-Cop Chile, S.A was conducted in June 2026.

[199] While paragraph 20(1)(c) of SIMA requires the data from multiple producers in a designated country, the record contains data from a single producer in each of two countries. As such, the normal values were determined pursuant to a Ministerial Specification under section 29 of SIMA, using the methodology of paragraph 20(1)(c) of SIMA, but by combining the data from the two surrogate producers. The CBSA used information contained in the Surrogate Producer RFI responses provided by Moly-Cop Chile, S.A and Moly-Cop Mexico, S.A. de C.V., for the purposes of determining normal values.

[200] Normal values, per 60-day period and per ball size, for the cooperative exporters were determined for the POI based on the profitable domestic selling prices of FGM by the surrogate producers in Chile and Mexico, using the methodology of subparagraph 20(1)(c)(i) of SIMA, or, where there were not sufficient profitable domestic sales, the CBSA determined the normal values on the basis of the aggregate of the cost of production of like goods, a reasonable amount for administrative, selling, and all other costs, and a reasonable amount for profits, using the methodology of subparagraph 20(1)(c)(ii) of SIMA. The amount for profit was determined on the basis of the domestic sales of like goods by the surrogates during the same 60-day period of the POI. In determining the normal values, the price of like goods were adjusted pursuant to paragraph 5(d) and section 10 of the *Special Import Measures Regulations* (SIMR), to reflect the differences in terms and conditions of sale and in taxation relating to price comparability between the goods sold to the importer and the like goods sold by the surrogate producers. In order to preserve the confidentiality of the data from the surrogate, the CBSA averaged the normal values determined in both Chile and Mexico.

Changshu Feifan Metalwork Co., Ltd.

[201] Changshu Feifan Metalwork Co., Ltd. (Changshu Feifan) is a producer and exporter, located in China, that sells subject goods to Canada. Changshu Feifan has one production facility located in Changshu, China. All of the subject goods shipped to Canada were produced at its production facility in Changshu, and the company also maintains its headquarters at the same location.

[202] Changshu Feifan's exports of subject goods represent 0.9% of the volume of subject goods exported to Canada from China and 0.7% of FGM from all countries during the POI. Changshu Feifan provided substantially complete information to the Dumping RFI, the Section 20 RFI and the Dumping supplemental RFIs.

[203] Changshu Feifan's responses to the Dumping RFI and the Dumping supplemental RFIs included a database of domestic sales and costs of production of FGM during the POI. However, for the purposes of the final determination, the CBSA has formed the opinion that domestic prices in the FGM sector in China are substantially determined by the Government of China and that domestic prices are not substantially the same as they would be in a competitive market. Therefore, the normal values were determined pursuant to section 29 of SIMA, using the domestic selling prices or the aggregate of the cost of production, a reasonable amount for administrative, selling and all other costs, and a reasonable amount for profits of like goods sold by producers in Mexico and Chile, similar to the methodology described in Section 20 of SIMA. In determining the normal values, the price of like goods were adjusted pursuant to the methodology of paragraph 5(d) and section 10 of the SIMR, to reflect the differences in terms and conditions of sale and in taxation relating to price comparability between the goods sold to the importer and the like goods sold by the surrogate producers.

[204] During the POI, all of the subject goods exported to Canada by Changshu Feifan were sold to an unrelated importer. As such, the export prices were determined in accordance with section 24 of SIMA, based on the lesser of the exporter's selling price and the importer's purchase price, adjusted by deducting the costs, charges and expenses incurred in preparing the goods for shipment to Canada and resulting from the exportation and shipment of the goods.

[205] The total normal value compared to the total export price results in a margin of dumping of 44.7% for Changshu Feifan, expressed as a percentage of the export price.

Changshu Longte Grinding Ball Co., Ltd.

[206] Changshu Longte Grinding Ball Co., Ltd. (Changshu Longte) is a producer and exporter, located in China, that sells subject goods to Canada. Changshu Longte's production facility in China is located in Changshu. All of the subject goods shipped to Canada were produced at its production facility in Changshu, and the company also maintains its headquarters at the same location.

[207] Changshu Longte exports of subject goods represent 82.2% of the volume of subject goods exported to Canada from China and 67.5% of subject goods from all countries during the POI. Changshu Longte provided a substantially complete response to the Dumping RFI and to the Section 20 RFI. In addition to Changshu Longte's response, responses were received from one related input supplier, one related manufacturer, and one related trading company who provided substantially complete responses to the Dumping RFI, the Section 20 RFI and the Dumping supplemental RFIs.

[208] Changshu Longte's response to the Dumping RFI and supplemental RFIs included a database of domestic sales and costs of production of FGM during the POI. However, for the purposes of the final determination, the CBSA has formed the opinion that domestic prices in the FGM sector in China are substantially determined by the Government of China and that domestic prices are not substantially the same as they would be in a competitive market. Therefore, the normal values were determined pursuant to section 29 of SIMA, using the domestic selling prices or the costing data from the surrogate producers in Mexico and Chile, similar to the methodology described in Section 20 of SIMA. In determining the normal values, the price of like goods were adjusted pursuant to the methodology of paragraph 5(d) and section 10 of the SIMR, to reflect the differences in terms and conditions of sale and in taxation relating to price comparability between the goods sold to the importer and the like goods sold by the surrogate producers.

[209] During the POI, all of the subject goods exported to Canada by Changshu Longte were sold to a related importer. Due to the relationship between the parties involved in the export sales, a reliability test was performed by comparing the export prices determined in accordance with section 24 of SIMA, to the export prices determined in accordance with paragraph 25(1)(c) of SIMA. The test revealed that over 80% of the export prices determined under section 25 of SIMA were equal to or greater than the export price determined under section 24. As such, export prices determined under section 24 were found to be reliable. The amount for profit was determined in accordance with paragraph 22(a) of the SIMR, based on sales of goods of the same general category in Canada by vendors at substantially the same trade level as the importer. As a result of the reliability test, export prices for Changshu Longte were determined in accordance with section 24 of SIMA.

[210] The total normal value compared to the total export price results in a margin of dumping of 46.7% for Changshu Longte, expressed as a percentage of the export price

Jiangyin Xingcheng Magotteaux Steel Balls Co., Ltd.

[211] Jiangyin Xingcheng Magotteaux Steel Balls Co., Ltd. (Xingcheng Magotteaux) is a producer and exporter, located in China, that sells subject goods to Canada. Xingcheng Magotteaux has one production facility located in Jiangyin City, China, where it also maintains its headquarters. All subject goods shipped to Canada were produced at this facility.

[212] Xingcheng Magotteaux's exports of subject goods represent 0.5% of the volume of subject goods exported to Canada from China and 0.4% of subject goods from all countries during the POI. Xingcheng Magotteaux provided a substantially complete response to the

Dumping RFI and to the Section 20 RFI. Responses to the RFI were also received from four of its related input suppliers, all of which provided substantially complete responses.

[213] Xingcheng Magotteaux's response to the Dumping RFI included a database of domestic sales and costs of production of FGM during the POI. However, for the purposes of the final determination, the CBSA has formed the opinion that domestic prices in the FGM sector in China are substantially determined by the Government of China and that domestic prices are not substantially the same as they would be in a competitive market. Therefore, the normal values were determined pursuant to section 29 of SIMA, using the domestic selling prices or the costing data from the surrogate producers in Mexico and Chile, similar to the methodology described in Section 20 of SIMA. In determining the normal values, the price of like goods were adjusted pursuant to the methodology of paragraph 5(d) and section 10 of the SIMR, to reflect the differences in terms and conditions of sale and in taxation relating to price comparability between the goods sold to the importer and the like goods sold by the surrogate producers.

[214] During the POI, all of the subject goods exported to Canada by Xingcheng Magotteaux were sold to a related importer. Due to the relationship between the parties involved in the export sales, a reliability test was performed by comparing the export prices determined in accordance with section 24 of SIMA, to the export prices determined in accordance with paragraph 25(1)(c) of SIMA. The test revealed that all of the export prices determined under section 25 of SIMA were equal to or greater than the export price determined under section 24. As such, export prices determined under section 24 were found to be reliable. The amount for profit was determined in accordance with paragraph 22(a) of the SIMR, based on sales of goods of the same general category in Canada by vendors at substantially the same trade level as the importer. As a result of the reliability test, export prices for Xingcheng Magotteaux were determined in accordance with section 24 of SIMA.

[215] The total normal value compared to the total export price results in a margin of dumping of 36.4% for Xingcheng Magotteaux, expressed as a percentage of the export price.

Oriental Casting and Forging Co., Ltd.

[216] Oriental Casting and Forging Co., Ltd (Oriental Casting) is a producer and exporter of subject goods located in China. Oriental Casting has one production facility in Zhangqiu, Shandong, China. All of the subject goods shipped to Canada were produced at its production facility in Zhangqiu. Its company headquarters is maintained at the same location.

[217] Oriental Casting's exports of subject goods represent 2.7% of the volume of subject goods exported to Canada from China and 2.2% of subject goods from all countries during the POI. Oriental Casting provided substantially complete responses to the Dumping RFI and to subsequent Dumping SRFIs.

[218] Oriental Casting's response to the Dumping RFI and subsequent Dumpling Supplemental RFIs included a database of domestic sales and costs of production of FGM during the POI. However, for the purposes of the final determination, the CBSA has formed

the opinion that domestic prices in the FGM sector in China are substantially determined by the Government of China and that domestic prices are not substantially the same as they would be in a competitive market. Therefore, the normal values were determined pursuant to section 29 of SIMA, using the domestic selling prices or the costing data from the surrogate producers in Mexico and Chile, similar to the methodology described in Section 20 of SIMA. In determining the normal values, the price of like goods were adjusted pursuant to the methodology of paragraph 5(d) and section 10 of the SIMR, to reflect the differences in terms and conditions of sale and in taxation relating to price comparability between the goods sold to the importer and the like goods sold by the surrogate producers.

[219] During the POI, all of the subject goods exported to Canada by Oriental Casting were sold through an unrelated trading company located in Mexico. The goods were subsequently sold to an unrelated importer in Canada. After reviewing and analyzing the information submitted on the record, the CBSA determined that Oriental Casting is the true principal in the export sales to Canada and therefore, the exporter for SIMA purposes. In addition, as the importer was unrelated to Oriental Casting, the export prices were determined in accordance with Section 24 of SIMA, based on the lesser of the adjusted exporter's selling price and the adjusted importer's purchase price.

[220] The total normal value compared to the total export price results in a margin of dumping of 53.3% for Oriental Casting, expressed as a percentage of the export price.

Tangshan ZWell Equipment Manufacturing Co., Ltd.

[221] Tangshan ZWell Equipment Manufacturing Co., Ltd. (Tangshan ZWell) is a producer and exporter, located in China, that sells subject goods to Canada. Tangshan ZWell has one production facility located in Hebei Province, China. All of the subject goods shipped to Canada were produced at its production facility in Hebei, and the company also maintains its headquarter at the same location.

[222] Tangshan ZWell's exports of subject goods represent 7.0% of the volume of subject goods exported to Canada from China and 5.8% of FGM from all countries during the POI. Tangshan ZWell provided substantially complete information to the Dumping RFI, the Section 20 RFI and the Dumping supplemental RFIs.

[223] Tangshan ZWell's response to the Dumping RFI and supplemental RFIs included a database of domestic sales and costs of production of FGM during the POI. However, for the purposes of the final determinations, the CBSA has formed the opinion that domestic prices in the FGM sector in China are substantially determined by the Government of China and that domestic prices are not substantially the same as they would be in a competitive market. Therefore, the normal values were determined pursuant to section 29 of SIMA using the domestic selling prices or the costing data from the surrogate producers in Mexico and Chile, similar to the methodology described in Section 20 of SIMA. In determining the normal values, the price of like goods were adjusted pursuant to the methodology of paragraph 5(d) and section 10 of the SIMR, to reflect the differences in terms and conditions of sale and in

taxation relating to price comparability between the goods sold to the importer and the like goods sold by the surrogate producers.

[224] During the POI, all of the subject goods exported to Canada by Tangshan ZWell were sold to an unrelated importer. As such, the export prices were determined in accordance with section 24 of SIMA, based on the lesser of the adjusted exporter's selling price and the adjusted importer's purchase price.

[225] The total normal value compared to the total export price results in a margin of dumping of 64.9% for Tangshan ZWell, expressed as a percentage of the export price.

ALL OTHER EXPORTERS

[226] In determining the normal values and export prices for all other exporters, the CBSA considered all of the information on the administrative record, including the complaint filed by the domestic industry, information submitted by parties that responded to the dumping RFI, surrogate producer RFI, and subsequent SRFIs, and CBSA customs entry documentation.

[227] The CBSA determined that the normal values for all other exporters of subject goods from China would be established based on the surrogate normal values provided to the cooperative exporters for purposes of the final determination. The CBSA finds this information to be more relevant and reflective of the trading practices of exporters of subject goods than the information provided in the complaint or estimated at the preliminary determination.

[228] Based on the facts available, for all other exporters that did not provide a complete response to the dumping RFI and/or SRFI(s), normal values of subject goods originating in or exported from China were determined based on the highest amount by which a normal value exceeded the export price (expressed as a percentage of the export price), on an individual transaction basis for the cooperative exporters during the POI. The transactions were examined to exclude anomalies, such as very low volumes and values, effects of seasonality, or other business factors. This methodology relies on information related to goods that originated in or were exported from China (for the export price) and from the surrogate countries (for the normal value) and limits the advantage that non-co-operative exporters may gain from not providing necessary information requested in a dumping investigation as compared to exporters that did provide the necessary information.

[229] The CBSA considered that the information submitted on the CBSA customs entry documentation was the best information on which to determine the export price of the goods as it reflects actual import data.

[230] Using the above methodologies, for the final determination, the margin of dumping for all other potential exporters of subject goods from China is 94.7%, expressed as a percentage of the export price.

SUMMARY OF FINAL RESULTS – DUMPING

[231] A summary of the final results of the dumping investigation respecting all subject goods shipped to Canada during the POI are as follows:

Table 3: Summary of Final Results – Dumping
Period of Investigation (October 1, 2024 to September 30, 2025)

Country of Origin or Export/Exporter	**Margin of Dumping** (% of Export Price)	**% of Total Imports** (by volume)
Changshu Feifan Metalwork Co., Ltd.	44.7%	0.7%
Changshu Longte Grinding Ball Co., Ltd.	46.7%	67.5%
Jiangyin Xingcheng Magotteaux Steel Balls Co., Ltd.	36.4%	0.4%
Oriental Casting and Forging Co., Ltd.	53.3%	2.2%
Tangshan ZWell Equipment Manufacturing Co., Ltd.	64.9%	5.8%
All Other Exporters - China	94.7%	5.6%
Total China		82.2%
All Other Countries		17.8%
Total		**100%**

[232] In order to make a final determination of dumping, the CBSA must be satisfied that:

i) the subject goods have been dumped; and,
ii) that the margin of dumping of a particular exporter is not insignificant.

[233] Under paragraph 41(1)(a) of SIMA, the CBSA is required to terminate an investigation in respect of any goods of an exporter if it is satisfied that the goods have not been dumped or the margin of dumping of the goods of that exporter is insignificant, meaning a margin of dumping that is less than 2% of the export price of the goods.

[234] The margin of dumping of FGM determined for all exporters of subject goods originating in or exported from China is greater than the threshold of 2% and is therefore not considered insignificant. As a result, the legislative requirements are satisfied for making a final determination of dumping respecting FGM originating in or exported from China.

[235] A summary of the results of the dumping investigation respecting the subject goods released into Canada during the POI is presented in **Appendix 1**.

SUBSIDY INVESTIGATION

[236] In accordance with section 2 of SIMA, a subsidy exists where there is a financial contribution by a government of a country, other than Canada, that confers a benefit on persons engaged in the production, manufacture, growth, processing, purchase, distribution,

transportation, sale, export or import of goods. A subsidy also exists in respect of any form of income or price support within the meaning of Article XVI of the *General Agreement on Tariffs and Trade, 1994*, being part of Annex 1A to the *World Trade Organization (WTO) Agreement* that confers a benefit.

[237] SIMA defines "government" in subsection 2(1) as, in relation to any country other than Canada, the government of that country and includes:

a. any provincial, state, municipal or other local or regional government in that country,
b. any person, agency or institution acting for, on behalf of, or under the authority of, or under the authority of any law passed by, the government of that country or that provincial, state, municipal or other local or regional government, and
c. any association of sovereign states of which that country is a member.

[238] Pursuant to subsection 2(1.6) of SIMA, a financial contribution exists where:

a. practices of the government involve the direct transfer of funds or liabilities or the contingent transfer of funds or liabilities;
b. amounts that would otherwise be owing and due to the government are exempted or deducted or amounts that are owing and due to the government are forgiven or not collected;
c. the government provides goods or services, other than general governmental infrastructure, or purchases goods; or
d. the government permits or directs a non-governmental body to do any thing referred to in any of paragraphs (a) to (c) above where the right or obligation to do the thing is normally vested in the government and the manner in which the non-governmental body does the thing does not differ in a meaningful way from the manner in which the government would do it.

[239] A state-owned enterprise (SOE) may be considered to constitute "government" for the purposes of subsection 2(1.6) of SIMA if it possesses, exercises, or is vested with, governmental authority. Without limiting the generality of the foregoing, the CBSA may consider the following factors as indicative of whether the SOE meets this standard: 1) the SOE is granted or vested with authority by statute; 2) the SOE is performing a government function; 3) the SOE is meaningfully controlled by the government; or 4) some combination thereof.

[240] If a subsidy is found to exist, it may be subject to countervailing measures if it is specific. A subsidy is considered to be specific when it is limited, in law or in fact, to a particular enterprise or is a prohibited subsidy. An "enterprise" is defined under SIMA as also including a "group of enterprises, an industry and a group of industries". Any subsidy which is contingent, in whole or in part, on export performance or on the use of goods that are produced or that originate in the country of export is considered to be a prohibited subsidy and is, therefore, specific according to subsection 2(7.2) of SIMA for the purposes of a subsidy investigation.

[241] In accordance with subsection 2(7.3) of SIMA, notwithstanding that a subsidy is not specific in law, a subsidy may also be considered specific in fact, having regard as to whether:

- there is exclusive use of the subsidy by a limited number of enterprises;
- there is predominant use of the subsidy by a particular enterprise;
- disproportionately large amounts of the subsidy are granted to a limited number of enterprises; and
- the manner in which discretion is exercised by the granting authority indicates that the subsidy is not generally available.

[242] For purposes of a subsidy investigation, the CBSA refers to a subsidy that has been found to be specific as an "actionable subsidy", meaning that it is countervailable.

RESULTS OF THE SUBSIDY INVESTIGATION

[243] At the initiation of the subsidy investigation, the CBSA sent subsidy RFIs[215] to the Government of China, as well as to all known and potential exporters and producers of subject goods.

[244] Where a question required information from other authorities (e.g., state or provincial governments), the Government of China was requested to forward the questions to appropriate authorities.[216]

[245] The exporters and producers were requested to forward a portion of the subsidy RFI[217] to their suppliers of major production inputs, who were asked to respond to questions pertaining to their legal characterization as SOEs and their sales of major production inputs. Further, the exporters and producers were also requested to forward the subsidy RFI[218] to their related suppliers of major production inputs.

GOVERNMENT OF CHINA

[246] The Government of China provided responses[219] to the Government Subsidy RFI and two Subsidy supplemental RFIs. During the investigation, the CBSA also conducted an on-site verification[220] with the Government of China.

[215] Exhibit 19 (NC) - Request for information (RFI) - subsidy sent to exporters; Exhibit 24 (NC) - Request for information (RFI) - subsidy sent to the Government of China
[216] Exhibit 24 (NC) - Request for information (RFI) - subsidy sent to the Government of China
[217] Exhibit 19 (NC) - Request for information (RFI) - subsidy sent to exporters;
[218] Exhibit 19 (NC) - Request for information (RFI) - subsidy sent to exporters;
[219] Exhibit 137 (PRO) & 138 (NC) - Response to request for information (RFI) - subsidy from the Government of China ("GOC"); Exhibit 291 (PRO) & 292 (NC) - Response to supplemental request for information (SRFI) #1 from the Government of China; Exhibit 336 (NC) - Response to supplemental request for information (SRFI) #2 - subsidy from the Government of China
[220] Exhibit 395 (NC) - Verification exhibits - Government of China ("GOC"); Exhibit 397 (NC) - Verification report - the Government of China

[247] For the purposes of the final determination, the CBSA is treating the Government of China's responses as partially complete. Where complete or verifiable information has been provided by the Government of China, the CBSA used this information in its determination. Where the information from the Government of China was incomplete, unverifiable or contradictory to the evidence on the administrative record, the CBSA used facts available on the administrative record in its determination.

[248] At the initiation of the subsidy investigation, the CBSA requested information on 37 consolidated subsidy programs that could potentially have conferred benefits to exporters and producers of subject goods during the POI. At the same time, the Government of China was also requested to provide information for any other subsidy programs that have conferred benefits to exporters and producers of subject goods during the POI.

[249] At the preliminary determination, the CBSA found 43 consolidated subsidy programs that could potentially have conferred benefits to exporters and producers of subject goods during the POI. During the final stage of the investigation, the CBSA removed 15 consolidated subsidy programs identified at the preliminary determination and found an additional 6 consolidated subsidy programs that have conferred benefits to subject goods during the POI. The 15 programs were removed from this investigation as the CBSA has not found positive evidence that the programs could have conferred benefits to subject goods during the POI, or has found evidence that the programs have already been included in other consolidated subsidy programs.

[250] For the final determination, based on the facts available on the administrative record, the CBSA consolidated the programs recorded by the responding companies and additional programs further identified by the CBSA to account for duplicate and/or equivalent programs, and found a total of 34 consolidated subsidy programs that have conferred benefits to subject goods during the POI. A summary of the findings for these 34 consolidated subsidy programs can be found in **Appendix 3** of this document.

[251] The Government of China has provided information for 2 consolidated subsidy programs (Program 21: Corporate Income Tax Reduction for New and High Technology Enterprises ("NHTE") and Program 22: Research and Development ("R&D") Super Deduction). The Government of China submitted that these 2 consolidated subsidy programs satisfy the non-specificity conditions under Article 2.1(b) of the WTO SCM Agreement and subsection 2(7.1) of SIMA. For the final determination, the CBSA has determined these 2 consolidated subsidy programs to be specific in accordance to the paragraph 2(7.2) (a) or subsection 2(7.3) of SIMA, based on the facts available on the administrative record. Details about these 2 consolidated subsidy programs can be found in **Appendix 3** of this document.

[252] For the remaining 32 consolidated subsidy programs, the Government of China did not provide sufficient information with respect to specificity. For the final determination, the CBSA has determined these 32 consolidated subsidy programs to be specific in accordance to subsection 2(7.2) or subsection 2(7.3) of SIMA, based on the facts available on the administrative record.

[253] For the final determination, the CBSA determined all 34 consolidated subsidy programs to be specific and therefore actionable, as detailed in **Appendix 3** of this document.

CHANGSHU FEIFAN METALWORK CO., LTD.

[254] Changshu Feifan provided responses to the Subsidy RFI and supplemental RFIs.

[255] Based on the facts available on the administrative record, Changshu Feifan was found to have received countervailing benefits from six subsidy programs which were considered to be specific and therefore actionable:

Program #1 - Grants Related to Foreign Trade Development Fund
Program #8 - Grants for Relocating Production Facilities
Program #10 - Patent Assistance/Award
Program #14 - Grants Related to Social Security
Program #21 - Corporate Income Tax Reduction for New and High Technology Enterprises ("NHTE")
Program #22 - Research and Development ("R&D") Super Deduction

[256] For purposes of the final determination, the amount of subsidy for Changshu Feifan is 1.5%, expressed as a percentage of the export price.

CHANGSHU LONGTE GRINDING BALL CO., LTD.

[257] Changshu Longte provided a response to the Subsidy RFI and supplemental RFIs. Responses were also received from a related input supplier, one related manufacturer, and one related trading company. Changshu Longte was found to have received countervailing benefits from subsidy programs which were considered to be specific and therefore actionable. In addition, multiple subsidy programs were found to have conferred benefits to Changshu Longte via pass-through from its related input suppliers and related manufacturer in connection with the purchase of major raw materials and production of FGM. The CBSA attributed the subsidies received by the related suppliers to the goods exported to Canada because of the relationship between the parties and concluded that a subsidy pass-through test is not required. Consequently, any actionable subsidies received by the related suppliers that are attributable to the goods under investigation and exported to Canada were aggregated with those directly received by the exporter.

[258] Based on an analysis of the information available on the administrative record, Changshu Longte was found to have received countervailing benefits from 16 subsidy programs which were considered to be specific and therefore actionable:

- Program #5 - Performance Award Grants
- Program #6 - Environmental Protection, Energy Conservation and Emission Reduction Grants
- Program #7 - Subsidies Related to Company/Enterprise Development and Innovation
- Program #10 - Patent Assistance/Award

- Program #12 - Grants Related to Employment, Training and Recruitment
- Program #13 - Grants Related to Science and Technology
- Program #14 - Grants Related to Social Security
- Program #15 - Grants to Provide Business Support
- Program #16 - Grants related to Financial/Loan Interest
- Program #21 - Corporate Income Tax Reduction for New and High Technology Enterprises ("NHTE")
- Program #22 - Research and Development ("R&D") Super Deduction
- Program #34 - Loans from State-Owned Banks
- New Program #1 - Subsidies Related to Rural Demonstration Site
- New Program #2 - Grants Related to Parties and Other Organizations
- New Program #7 - Equipment investment funds
- New Program #13 - Provincial special fund for building a manufacturing powerhouse (formerly Provincial industrial and information industry transformation and upgrading special fund)

[259] For purposes of the final determination, the amount of subsidy for Changshu Longte is 2.1%, expressed as a percentage of the export price

JIANGYIN XINGCHENG MAGOTTEAUX STEEL BALLS CO., LTD.

[260] Xingcheng Magotteaux provided a response to the Subsidy RFI. Responses were also received from four of its related input suppliers. For purposes of the final determination, Xingcheng Magotteaux was found to have received countervailing benefits from consolidated subsidy programs which were considered to be specific and therefore actionable. In addition, multiple subsidy programs were found to have conferred benefits to Xingcheng Magotteaux through pass-through from its related input suppliers in connection with the purchase of major raw materials. The CBSA attributed the subsidies received by the related suppliers to the goods exported to Canada because of the relationship between the parties and concluded that a subsidy pass-through test is not required. Consequently, any actionable subsidies received by the related suppliers that are attributable to the goods under investigation and exported to Canada were aggregated with those directly received by the exporter.

[261] Based on an analysis of the information available on the administrative record, Xingcheng Magotteaux was found to have received countervailing benefits from 26 subsidy programs which were considered to be specific and therefore actionable:

Program #1 Grants related to Foreign Trade Development Fund
Program #2 Grants related to Export Development, Performance and Assistance
Program #3 Grants related to Research and Development
Program #4 Grants related to Trademarks and Branding
Program #5 Performance Award Grants
Program #6 Environmental Protection, Energy Conservation and Emission Reduction Grants
Program #7 Subsidies Related to Company/Enterprise Development and Innovation
Program #10 Patent Assistance/Award

Program #11 Special Economic Zones (SEZs) and Other Designated Areas Incentives
Program #12 Grants Related to Employment, Training and Recruitment
Program #13 Grants Related to Science and Technology
Program #14 Grants Related to Social Security
Program #15 Grants to Provide Business Support
Program #19 Insurance Grants
Program #21 Corporate Income Tax Reduction for New and High Technology Enterprises ("NHTE")
Program #23 Corporate Income Tax Reduction for Micro and Small Enterprises
Program #24 Reduction in Land Use Tax or Rental Fees
Program #32 Provision of Land by Government
Program #34 Loans from State-Owned Banks (General Loans from State-Owned Banks)
New Program 8 Rental Subsidies
New Program 9 Special Project Bond
New Program 10 National Debt Funds to Support Equipment Renovation and Updating Projects
New Program 11 Technological Transformation Investment Subsidy
New Program 12 Funds for Special Projects
New Program 13 Provincial special fund for building a manufacturing powerhouse (formerly Provincial industrial and information industry transformation and upgrading
New Program 14 Tax policies related to enterprises recruiting self-employed retired soldiers for entrepreneurship and employment

[262] For purposes of the final decisions, the amount of subsidy for Xingcheng Magotteaux is 0.4%, expressed as a percentage of the export price. This amount is insignificant, and as such, the subsidy investigation in respect of the goods of this exporter was terminated pursuant to paragraph 41(1)(a) of SIMA.

ORIENTAL CASTING AND FORGING CO., LTD.

[263] Oriental Casting provided a response to the Subsidy RFI and the CBSA's subsequent Subsidy deficiency letter and SRFIs.[221]

[221] Exhibits 121 (PRO) and 122 (NC) - Response to RFI - subsidy from Oriental Casting and Forging Co., Ltd,; Exhibits 263 (PRO) and 264 (NC) - Response to SRFI #1 - subsidy from Oriental Casting and Forging Co., Ltd.; Exhibits 293 (PRO) and 294 (NC) - Response to deficiency letter - subsidy from Oriental Casting and Forging Co., Ltd.; Exhibits 348 (PRO) and 349 (NC) - Response to SRFI #2 - subsidy from Oriental Casting and Forging Co., Ltd.; Exhibits 401 (PRO) and 402 (NC) - Response to SRFI #3 - subsidy from Oriental Casting and Forging Co., Ltd.

[264] Based on the facts available on the administrative record, Oriental Casting was found to have received countervailing benefits from four subsidy programs which were considered to be specific and therefore actionable:

- Program #14: Grants Related to Social Security
- Program #21: Corporate Income Tax Reduction for NHTE
- Program #22: R&D Super Deduction
- Program #34: Loans from State-Owned Banks

[265] For purposes of the final determination, the amount of subsidy for Oriental Casting is 2.4%, expressed as a percentage of the export price.

TANGSHAN ZWELL EQUIPMENT MANUFACTURING CO., LTD.

[266] Tangshan ZWell provided a response to the Subsidy RFI and supplemental RFIs. Responses were also received from a related input supplier and one other related party. Tangshan ZWell was found to have received countervailing benefits from subsidy programs which were considered to be specific and therefore actionable. In addition, multiple subsidy programs were found to have conferred benefits to Tangshan ZWell via pass-through from its related input supplier and related party in connection with the purchase of major raw materials. The CBSA attributed the subsidies received by the related suppliers to the goods exported to Canada because of the relationship between the parties and concluded that a subsidy pass-through test is not required. Consequently, any actionable subsidies received by the related suppliers that are attributable to the goods under investigation and exported to Canada were aggregated with those directly received by the exporter.

[267] Based on an analysis of the information available on the administrative record, Tangshan ZWell was found to have received countervailing benefits from eleven subsidy programs which were considered to be specific and therefore actionable:

- Program #1 - Grants related to Foreign Trade Development Fund
- Program #3 - Grants related to Research and Development
- Program #6 - Environmental Protection, Energy Conservation and Emission Reduction Grants
- Program #12 - Grants Related to Employment, Training and Recruitment
- Program #13 - Grants Related to Science and Technology
- Program #14 - Grants Related to Social Security
- Program #19 - Insurance Grants
- Program #21 - Corporate Income Tax Reduction for New and High Technology Enterprises (“NHTE”)
- Program #22 - Research and Development (“R&D”) Super Deduction
- New Program #3 - Energy Subsidies
- New Program #5 - Market Statistics Monitoring Subsidy

[268] For purposes of the final decisions, the amount of subsidy for Tangshan ZWell is 0.5%, expressed as a percentage of the export price. This amount is insignificant, and as such, the

subsidy investigation in respect of the goods of this exporter was terminated pursuant to paragraph 41(1)(a) of SIMA.

ALL EXPORTERS – CHINA

[269] For exporters of subject goods originating in or exported from China that did not provide a response to the subsidy RFI, or did not furnish sufficient information, an amount of subsidy was calculated on the basis of the sum of the highest amount of subsidy for each of the 34 consolidated subsidy programs, as found at the final determination, for the cooperative exporters located in China for whom the CBSA has sufficient information to determine an amount of subsidy.

[270] In establishing the methodology for the amount of subsidy for all other exporters, the CBSA considered all of the information on the administrative record, including the complaint filed by the domestic industry, the information submitted by the Government of China, and the information submitted by exporters and their related companies who responded to the subsidy RFI and supplemental RFI(s). This method of determining the amount of subsidy is based on facts available on the administrative record and limits the advantage that an exporter may gain from not providing necessary information requested in a subsidy investigation as compared to an exporter that did provide the necessary information.

[271] Using the above methodology, for the final determination, the amount of subsidy for all other exporters is 12.9%, expressed as a percentage of the export price.

SUMMARY OF FINAL RESULTS – SUBSIDY

[272] A summary of the final results of the subsidy investigation respecting all subject goods imported into Canada during the POI follows:

Table 4: Summary of Final Results – Subsidy
Period of Investigation (October 1, 2024, to September 30, 2025)

Exporter	**Amount of Subsidy** (% of Export Price)	**% of Total Imports** (by Volume)
Changshu Feifan Metalwork Co., Ltd.	1.5%	0.7%
Changshu Longte Grinding Ball Co., Ltd.	2.1%	67.5%
Jiangyin Xingcheng Magotteaux Steel Balls Co., Ltd.	0.4%	0.4%
Oriental Casting and Forging Co., Ltd.	2.4%	2.2%
Tangshan ZWell Equipment Manufacturing Co., Ltd.	0.5%	5.8%
All Other Exporters - China	12.9%	5.6%
Total China		82.2%
All Other Countries		17.8%
Total		**100%**

[273] In order to make a final determination of subsidizing, the CBSA must be satisfied that:

i) the subject goods have been subsidized; and that
ii) the amount of subsidy of a particular exporter is not insignificant.

[274] Under paragraph 41(1)(a) of SIMA, the CBSA is required to terminate an investigation in respect of any goods of an exporter if the CBSA is satisfied that the goods have not been subsidized or the amount of subsidy on the goods of that exporter is insignificant.

[275] Pursuant to subsection 2(1) of SIMA, an amount of subsidy of less than 1% of the export price of the goods, for a developed country, is defined as insignificant.

[276] The amounts of subsidy determined for Jiangyin Xingcheng Magotteaux Steel Balls Co., Ltd. and Tangshan ZWell Equipment Manufacturing Co., Ltd. are below 1% of the export price and are, therefore, determined to be insignificant. As a result, the CBSA terminated the subsidy investigation respecting FGM exported to Canada from China by Jiangyin Xingcheng Magotteaux Steel Balls Co., Ltd. and Tangshan ZWell Equipment Manufacturing Co., Ltd.

[277] For all other exporters, the amounts of subsidy, expressed as a percentage of the export price, is above 1% and is, therefore, not insignificant. As a result, with respect to these exporters, the legislative requirements are satisfied for making a final determination of subsidy respecting FGM originating in or exported from China.

[278] A summary of the results of the subsidy investigation respecting the subject goods shipped to Canada during the subsidy POI are presented in **Appendix 1**.

DECISIONS

[279] On August 24, 2026, pursuant to paragraph 41(1)(a) of SIMA, the CBSA terminated the subsidy investigation with respect to FGM originating in or exported from China by for Jiangyin Xingcheng Magotteaux Steel Balls Co., Ltd. and Tangshan ZWell Equipment Manufacturing Co., Ltd.

[280] On the same day, pursuant to paragraph 41(1)(b) of SIMA, the CBSA made a final determination respecting the dumping of FGM originating in or exported from China and a final determination of subsidizing in respect of FGM from China, with respect to exporters for which the subsidy investigation has not been terminated.

FUTURE ACTION

[281] The provisional period began on May 25, 2026, and will end on the date the CITT issues its finding. The CITT is expected to issue its decision by September 22, 2026. Provisional duties will continue to be imposed on the subject goods from China until the CITT renders its decision. However, provisional duties will no longer be imposed on imports of goods for which the subsidy investigation has been terminated. Any provisional duty paid or security posted will be refunded, as appropriate. For further details on the application of provisional duty , refer to the *Statement of Reasons* issued for the preliminary determinations.

[282] If the CITT finds that the dumped and subsidized goods have not caused injury and do not threaten to cause injury, all proceedings will be terminated. In this situation, all provisional duty paid or security posted by importers will be returned.

[283] If the CITT finds that the dumped and subsidized goods have caused injury, the anti-dumping duty and/or countervailing payable on subject goods released by the CBSA during the provisional period will be finalized pursuant to section 55 of SIMA. Imports released by the CBSA after the date of the CITT's finding will be subject to anti-dumping duty equal to the margin of dumping and countervailing duty equal to the amount of subsidy .

[284] The importer in Canada shall pay all applicable duties. If the importers of such goods do not indicate the required SIMA code or do not correctly describe the goods in the customs documents, an administrative monetary penalty could be imposed. The provisions of the *Customs Act* apply with respect to the payment, collection or refund of any duty collected under SIMA. As a result, failure to pay duty within the prescribed time will result in the application of interest .

RETROACTIVE DUTY ON MASSIVE IMPORTATIONS

[285] Under certain circumstances, anti-dumping and/or countervailing duty can be imposed retroactively on subject goods imported into Canada. When the CITT conducts its inquiry on material injury to the Canadian industry, it may consider if dumped and/or subsidized goods that were imported close to or after the initiation of the investigations constitute massive importations over a relatively short period of time and have caused injury to the Canadian industry. Should the CITT issue a finding that there were recent massive importations of dumped and/or subsidized goods that caused injury, imports of subject goods released by the CBSA in the 90 days preceding the day of the preliminary determinations could be subject to anti-dumping and/or countervailing duty.

[286] In respect of importations of subsidized goods that have caused injury, this provision is only applicable where the CBSA has determined that the whole or any part of the subsidy on the goods is a prohibited subsidy. In such a case, the amount of countervailing duty applied on a retroactive basis will equal the amount of subsidy on the goods that is a prohibited subsidy. An export subsidy is a prohibited subsidy according to subsection 2(1) of SIMA.

PUBLICATION

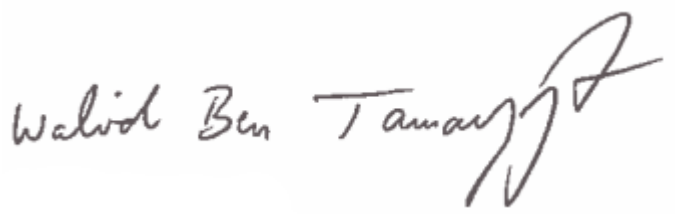
[287] A notice of these final decisions of dumping and subsidizing will be published in the Canada Gazette pursuant to paragraphs 41(3)(a) and 41(4)(a) of SIMA.

INFORMATION

[288] This *Statement of Reasons* is available through the CBSA's website at the address below. For further information, please contact the email address identified below:

Email: Trade_Remedies_Registry-Registre_recours_commerciaux@cbsa-asfc.gc.ca

Website: www.cbsa-asfc.gc.ca/sima-lmsi



For Sean Borg
A/Executive Director
Trade Remedies Investigations Division

ATTACHMENTS

Appendix 1: Summary of Margins of Dumping and Amounts of Subsidy
Appendix 2: Dumping and Subsidy Representations
Appendix 3: Summary of Findings for Subsidy Programs

APPENDIX 1 – SUMMARY OF MARGINS OF DUMPING AND AMOUNTS OF SUBSIDY

Exporter	**Margin of Dumping** (% of Export Price)	**Amount of Subsidy** (% of Export Price)
Changshu Feifan Metalwork Co., Ltd.	44.7%	1.5%
Changshu Longte Grinding Ball Co., Ltd.	46.7%	2.1%
Jiangyin Xingcheng Magotteaux Steel Balls Co., Ltd.	36.4%	N/A
Oriental Casting and Forging Co., Ltd.	53.3%	2.4%
Tangshan ZWell Equipment Manufacturing Co., Ltd.	64.9%	N/A
All Other Exporters - China	94.7%	12.9%

Note: The margins of dumping and amounts of subsidy reported in this table were determined by the CBSA for the purposes of the final decisions. These margins and amounts may not reflect the amount of anti-dumping or countervailing duties to be levied on future importations of dumped or subsidized goods. In the event of an injury finding by CITT, normal values and amounts of subsidy for future shipments to Canada will be provided to the exporters who provided sufficient information in their response to the CBSA RFIs, as appropriate. These normal values and amounts of subsidy would come into effect the day after an injury finding. Information regarding normal values of the subject goods and amounts of subsidy should be obtained from the exporters. Imports from any other exporters will be subject to an anti-dumping duty rate and a countervailing duty rate, as applicable, in accordance with a ministerial specification and in an amount equal to the margin of dumping or the amount of subsidy found for "all other exporters" at the final determinations.

Section 10 of SIMA directs that where the whole (or a portion of the) margin of dumping is attributable to an export subsidy, that portion of the margin of dumping shall not be leviable, collectable and payable as anti-dumping duty.

Normally, normal values will not be applied retroactively. However, normal values may be applied retroactively in cases where the exporter does not adjust export prices to account for increases in prices and/or costs. Therefore, where substantial changes occur in prices, market conditions, costs associated with production and sales of the goods, the onus is on the concerned parties to increase the export price accordingly to ensure that any sale made to Canada is not only above the normal value but at or above selling prices and full costs and profit of the goods.

Please consult the SIMA Self-Assessment Guide for more detailed information explaining how to determine the amount of SIMA duties owing.

APPENDIX 2 – DUMPING AND SUBSIDY REPRESENTATIONS

Following the closing of the record on July 6, 2026, case briefs and reply submissions were received on behalf of the following parties:

- The complainant;[222]
- Changshu Longte Grinding Ball Co., Ltd.;[223] and
- Government of China.[224]

The CBSA also received case arguments from Oriental Casting and Forging Co. Ltd. (Oriental Casting) after the due date. As the comments were received after the close of record and after the prescribed submission period for case arguments, the CBSA did not post the comments to the exhibits listing and the comments were not taken into consideration for the purposes of the final determinations. The CBSA did not receive any reply submissions from Oriental Casting.

Certain details provided in case briefs and reply submissions were designated as confidential information by the submitting counsel. This has restricted the ability of the CBSA to discuss all issues raised in these submissions. The material issues raised by the parties are summarized as follows:

Section 20 is not applicable as adjusted benchmarks do not support that prices in China are not what they would be in a competitive market

Case briefs

Changshu Longte Grinding Ball Co., Ltd. (Changshu Longte) argued that since the section 20 allegation rests on the theory that the Government of China indirectly determines domestic FGM prices through its control over the price of steel inputs, then the correct analytical lens would be to trace distortion to the input price paid by the FGM producer[225]. Changshu Longte argued that if section 20 conditions existed in respect of the Chinese FGM sector, one would expect to observe artificially depressed input prices.[226]

[222] Exhibits 427 (PRO) and 428 (NC) – Case brief filed on behalf of MOLY-COP CANADA; Exhibits 431 (PRO) and 432 (NC) – Reply submission filed on behalf of MOLY COP CANADA
[223] Exhibits 429 (PRO) and 430 (NC) – Case brief filed on behalf of Changshu Longte Grinding Ball Co., Ltd.
[224] Exhibits 426 (NC) - Case brief filed on behalf of the Government of the People's Republic of China ("GOC")
[225] Exhibit 430 (NC) - Case brief filed on behalf of Changshu Longte Grinding Ball Co., Ltd; para. 12.
[226] Exhibit 430 (NC) - Case brief filed on behalf of Changshu Longte Grinding Ball Co., Ltd; para. 15

Changshu Longte suggests that a comparison with benchmarks would show no distortions once the benchmarks are adjusted for differences in logistics costs of procurement. For instance, Changshu Longte suggested using adjusted European prices (i.e. Germany and Italy) reported by CRU, which are available on the record[227], to compare with its own acquisition cost of SBQ steel bar, the higher quality steel bar required to produce certain FGM products[228]. Pointing out that the CRU reported prices for German and Italian prices are on a delivered basis, Longte suggests using its own cost to move FGM from China to Canada, including ocean and inland freight, port charges, etc., to adjust the published European prices.[229] Changshu Longte then argued that its own purchase prices for domestic steel bar, or those of the other respondents, are comparable to the European prices as published by CRU, as adjusted by Changshu Longte[230]. Recognizing that SBQ steel requires a premium, Changshu Longte then suggested an upward adjustment to the benchmark.[231] Changshu Longte suggested that a comparison of the benchmark, adjusted for quality and freight, with its own purchase price, or with those reported by all five respondents would result in a differential that it does not consider to be substantial.[232]

Reply submissions

As a reply, Moly-cop Canada argued that Longte's benchmark comparison is methodologically flawed, although even its own data suggests significant differences in prices.[233]

CBSA's response

As discussed in the section of this *Statement of Reasons* on Section 20, as well as in the CBSA's *Section 20 Report* for the Final Determination,[234] the CBSA compared the reported prices paid by the five respondents for merchant steel bar of Chinese origin, used for their production of FGM, with the prices paid by Moly-cop Mexico for merchant steel bar of Mexican origin, used for the company's production of FGM. The CBSA compared net weighted average monthly prices (i.e. net of taxes and freight) of goods of similar qualities (i.e. MBQ vs SBQ) in both markets, and determined that Chinese FGM producers are able to acquire their principle input at a weighted average price that is substantially lower than the price paid by the FGM producer in Mexico, for substantially the same domestic products, at substantially the same time.

[227] Which were provided by Changshu Longte in Exhibit 422 (PRO) - Additional information relating to the response to supplemental request for information (SRFI) #3 from Changshu Longte Grinding Ball Co., Ltd
[228] Exhibit 430 (NC) - Case brief filed on behalf of Changshu Longte Grinding Ball Co., Ltd; para. 14
[229] Exhibit 430 (NC) - Case brief filed on behalf of Changshu Longte Grinding Ball Co., Ltd; para. 14
[230] Ibid.
[231] Ibid., based on information provided in Exhibit 422 (PRO)- Additional information relating to the response to supplemental request for information (SRFI) #3 from Changshu Longte Grinding Ball Co., Ltd
[232] Exhibit 430 (NC) - Case brief filed on behalf of Changshu Longte Grinding Ball Co., Ltd; para. 14
[233] Exhibit 432 (NC) – Reply submission from Moly-cop Canada, paras. 8-9
[234] Exhibit 454 (PRO) –CBSA's Section 20 Report – FGM from China – Final Determination

Furthermore, the CBSA also looked at the CRU published prices for merchant bar that were available on the record.[235] The CRU data on the record include prices for merchant steel bar for China (ex-warehouse Shanghai, VAT included), Asia (CFR non-CIS import basis), Germany (delivered), Italy (delivered) and USA Midwest (FOB mill). Even though the steel bars used to make FGM are of a higher level of quality than typical "Merchant Bar" product for which there are available reported benchmarks, these benchmarks nevertheless provide a representative overview of the price differential between merchant bar prices in China with other reference points of comparable goods. There is no need for a quality adjustment as CRU provides prices for comparable standard commercial quality steel regardless of the benchmark. The CBSA does agree with Changshu Longte that other adjustments are required to ensure a proper comparison, mainly with respect to freight and taxes.

While the CBSA agrees with the necessity to adjust the German and Italian prices, which are provided on a delivered basis, the CBSA disagrees that the cost to move FGM from China to Canada, which was the basis for the adjustment suggested by Changshu Longte, provides a reasonable basis to estimate the domestic delivery costs within Germany or Italy. The object is not to compare import price of Chinese bar to Europe with domestic prices in China. Even when deducting the highest amount of domestic freight on the record (using responses from the respondents and those from the surrogates in Chile and Mexico), the analysis demonstrates that purchasers in China are able to acquire merchant bar at prices that are substantially lower than the prices paid in Europe or elsewhere, for substantially the same products, at substantially the same time. Furthermore, considering that the CRU prices for China are VAT-included, the Chinese prices should be adjusted to remove the VAT. After this adjustment, the differential with the European adjusted price increases to 42.4%. The differential would be even higher if the inland freight to move bar from the mill to Shanghai warehouse is also deducted.

As argued by Changshu Longte in its case brief, if section 20 conditions existed in respect of the Chinese FGM sector, one would expect to observe artificially depressed input prices.[236] This is precisely what the CBSA is observing. Even if Europe is, as argued by Changshu Longte, not a perfectly comparable benchmark market to Asia because of general higher costs in the region[237], and even considering the larger production scale in China, the CBSA believes that the evidence on the record nevertheless suggests a significant price differential between domestic prices in China and those in different markets, which it believes is largely attributed to government intervention in the Chinese steel market, including the direct effect of the subsidizing of the industry on the industry's cost structure, as well as the indirect effect of the subsidizing on overcapacity and oversupply, with its resulting pressure on prices.

[235]Exhibit 1 (PRO) - FGM Complaint, exhibit 20; Exhibit 7 (PRO) – CBSA's Complaint Analysis., p.22; Exhibit 422 (PRO) - Additional information relating to the response to supplemental request for information (SRFI) #3 from Changshu Longte Grinding Ball Co., Ltd

[236] Exhibit 430 (NC) - Case brief filed on behalf of Changshu Longte Grinding Ball Co., Ltd; para. 15

[237] Exhibit 430 (NC) - Case brief filed on behalf of Changshu Longte Grinding Ball Co., Ltd; para. 13

Applicability of Paragraph 19(b) where Section 20 conditions exist

Case briefs

Counsel for Changshu Longte submitted that, notwithstanding the section 20 finding, normal values should be calculated under paragraph 19(b) of SIMA using the exporter's own costs, selling expenses and profit, relying on a constructed-cost approach where reliable costing information is available.[238]

Reply submissions

Counsel for the complainant submitted that paragraph 19(b) is inapplicable once section 20 conditions are found to exist, as section 20 displaces the ordinary normal value provisions by operation of the statutory text. Counsel further characterized the exporter's alternative margin calculation under paragraph 19(b) as circular, submitting that it depends on premises the CBSA has already rejected.[239]

CBSA's response

The CBSA considered the case briefs and reply submissions provided by counsel, as well as any representations filed during the investigation before the close of record. The CBSA has formed the opinion that section 20 conditions exist in the FGM sector in China and that the normal values have been determined pursuant to a ministerial specification under section 29 of SIMA, using a methodology described in section 20 of SIMA.

[238] Exhibit 430 (NC) - Case brief filed on behalf of Changshu Longte Grinding Ball Co., Ltd; para. 17-18
[239] Exhibit 432 (NC) – Reply submission from Moly-cop Canada, paras. 18-19

The CBSA should adjust the costs of production from the surrogate producers when determining normal values under Section 20

Case briefs

Changshu Longte argued that if the CBSA determines the normal values pursuant to section 20 of SIMA, the costs of production of the surrogate producers should be adjusted by substituting only the price of the steel input material, while using the rest of the Chinese producers' own conversion costs and amounts for profits to construct normal values.[240] In addition, Changshu Longte argued that the cost of steel input from the surrogate producers should be adjusted by deducting the freight cost included in the cost of input, to reflect the lower logistics costs of procurement of Chinese producers.[241] Changshu Longte argued that the variance between the prices it pays for its domestic bar prices and the price paid by the surrogate is related to logistics costs of procurement and not to any section 20 conditions in China.[242] Changshu Longte also maintained that costs incurred by trading companies should also be removed from the cost of production, along with the trading company's markup.[243]

Reply submissions

Moly-cop Canada argued that no such adjustment is warranted and such adjustments would be contrary to section 20(1)(c), and that the CBSA rejected similar arguments in past investigations involving surrogate normal values, including *Oil Country Tubular Goods*, *Truck Bodies*, *CISP* and *Wind Towers*.[244] Moly-cop Canada also argued that "Stripping out these costs, as Changshu Longte proposes, would effectively import the very distortion that Section 20 is designed to eliminate."[245]

CBSA's response

Pursuant to paragraph 20(1)(c) of SIMA, the normal values of the goods is,

> where like goods are sold by producers in any country other than Canada designated by the President for use in that country,
>
> (i) the price of the like goods at the time of the sale of the goods to the importer in Canada, adjusted in the prescribed manner and circumstances to reflect the differences in terms and conditions of sale, in taxation and other differences relating to price comparability between the goods sold to the importer in Canada and the like goods sold by producers in the country other than Canada designated by the President for use in that country, or

[240] Exhibit 430 (NC) - Case brief filed on behalf of Changshu Longte Grinding Ball Co., Ltd; para. 26
[241] Exhibit 429 (PRO) - Case brief filed on behalf of Changshu Longte Grinding Ball Co., Ltd; para. 29
[242] Exhibit 429 (PRO) - Case brief filed on behalf of Changshu Longte Grinding Ball Co., Ltd; para. 33
[243] Exhibit 429 (PRO) - Case brief filed on behalf of Changshu Longte Grinding Ball Co., Ltd; para. 31-35
[244] Exhibit 432 (NC) – Reply submission from Moly-cop Canada, paras. 22-25
[245] Exhibit 432 (NC) – Reply submission from Moly-cop Canada, para. 31

(ii) the aggregate of (A) the cost of production of the like goods, (B) a reasonable amount for administrative, selling and all other costs, and (C) a reasonable amount for profits.

The adjustments to the normal values are prescribed in section 3 to 10 of the *Special Import Measures Regulations* (SIMR). Furthermore, subsection 11(1) of the SIMR specifies that

> For the purposes of paragraph 19(b) and subparagraph 20(1)(c)(ii) of the Act, (a) subject to sections 11.2 and 12, the expression cost of production, in relation to any goods, means the aggregate of all costs that are (i) attributable to, or in any manner related to, the production of the goods, or (ii) directly attributable to the design or engineering of the goods.

The CBSA agrees with the complainant that there are no basis under SIMA to determine normal values or adjust costs in the manner suggested by Changshu Longte. As explained in the body of this *Statement of Reasons*, for the vast majority of subject goods, the normal values were determined on the basis of methodology of subparagraph 20(1)(c)(i), based on the prices of like goods in Chile and Mexico. As mentioned earlier, where warranted, these prices were adjusted in the manner prescribed in the SIMR (i.e. pursuant to paragraph 5(d) and section 10). For some goods, the normal values were determined using the methodology of subparagraph 20(1)(c)(ii), on the basis of a constructed costs. For this purpose, costs were determined in the manner specified by subsection 11(1) of the SIMR, including all costs attributable to, or in any manner related to, the production of the goods. The domestic sales used in the determination of the amount for profit were also adjusted in the prescribed manner.

Furthermore, in forming an opinion that the government of the prescribed country substantially determines domestic prices and there is sufficient reason to believe that they are not substantially the same as they would be if they were determined in a competitive market, the CBSA is not directed to assess and rule on every single distinct aspect of the micro and macro-economic environment which may influences prices in that country (e.g. labour, freight, electricity, banking sector, etc.). As such, after having formed the opinion that section 20 is applicable, the normal values were determined using the methodologies of subparagraphs 20(1)(c)(i) and 20(1)(c)(ii), in the manner detailed in the body of this *Statement of Reasons*.

Relationship between the complainant and the surrogate producers

Case briefs

Changshu Longte argued that the fact that the surrogate producers whose data the CBSA is relying on are related to the complainant warrants additional caution and scrutiny from CBSA when evaluating comparability of the surrogate data.[246] While the exporter acknowledged that there is no evidence on the record suggesting that the costs from Moly-cop Chile or Mexico are artificially inflated, Changshu Longte noted that it appears that the CBSA did not verify the data of Moly-Cop Mexico.[247]

Reply submissions

The complainant argued that the relationship between the surrogates and Moly-cop Canada does not vitiate the data.[248]

CBSA's response

In the course of the investigation, the CBSA afforded the same level of scrutiny to the surrogates' data as to the respondents'. The CBSA sent multiple Supplemental Request for Information to all parties, including to both surrogates, in order to obtain clarification as well as to assess the completeness, accuracy and reliability of their responses. Changshu Longte and Moly-cop Chile were also verified on-site by the CBSA.

Export price determination

Case briefs

Counsel for the complainant submitted that Changshu Longte failed to produce documents necessary to assess export price reliability under section 24 and 25 of SIMA and whether the export price has been influenced by the relationship between the parties. [249]

Counsel for Changshu Longte submitted that the export price should be calculated under section 24 as the parties are not "associated persons" within the meaning of subsection 2(2) of SIMA and that the CBSA's own reliability testing did not indicate the transaction price was influenced by their relationship.[250]

[246] Exhibit 430 (NC) - Case brief filed on behalf of Changshu Longte Grinding Ball Co., Ltd; para. 35
[247] Ibid.
[248] Exhibit 431 (PRO) – Reply submission from Moly-cop Canada, para. 37
[249] Exhibit 428 (NC) – Case brief filed on behalf of MOLY-COP CANADA, paras. 22-24
[250] Exhibit 430 (NC) - Case brief filed on behalf of Changshu Longte Grinding Ball Co., Ltd; paras.41-42

Reply submissions

In reply, counsel for the complainant submitted that the association inquiry extends beyond the relatedness criteria in subsection 2(3) to persons not dealing at arm's length under paragraph 2(2)(b) and that a joint venture linking the exporter's input supplier to the importer's parents company warrants continued scrutiny of the relationship.[251]

CBSA's response

The CBSA has considered the case briefs and reply submissions provided by the parties' counsel, as well as any representations filed during the investigation before the close of record. Due to the relationship between the parties involved in the export sales, the CBSA performed a reliability test by comparing the export prices estimated in accordance with section 24 of SIMA, to the export prices estimated in accordance with paragraph 25(1)(c) of SIMA. Further to the reliability test, the export prices estimated under section 24 were found to be reliable for the purposes of SIMA. As such, export prices for Changshu Longte were estimated in accordance with section 24 of SIMA, based on the lesser of the adjusted exporter's selling price or the adjusted importer's purchase price.

Completeness and accuracy of exporters' submissions

Case briefs

Counsel for the complainant submitted that Changshu Longte Group's record submissions contain material deficiencies warranting application of ministerial specifications under subsection 29(1) and subsection 30.4(2) of SIMA where information remains insufficient.[252]

Counsel for Changshu Longte submitted that it and its affiliated entities provided sufficient information throughout the investigation to allow the CBSA to calculate exporter-specific normal values and export prices that all related companies acted in good faith and within the CBSA's deadlines and that the CBSA had verified all responses filed on behalf of the exporter and its affiliates without notifying them of any unresolved deficiencies.[253]

Counsel for the complainant further submitted that the records of the responding exporters contain unreliable information and unresolved deficiencies including unreconciled discrepancies or missing cost data for related-party input transactions, insufficient evidence to satisfy the comparative test, unverified or unsupported benchmark pricing and for some exporters, a lack of on-site verification. Counsel submitted that these deficiencies warrant continued reliance on facts available, including ministerial specifications under section 29 of SIMA where necessary.[254]

[251] Exhibit 432 (NC) – Reply submission from Moly-cop Canada, para. 40
[252] Exhibit 428 (NC) – Case brief filed on behalf of MOLY-COP CANADA, paras. 25-29
[253] Exhibit 430 (NC) - Case brief filed on behalf of Changshu Longte Grinding Ball Co., Ltd; para. 3
[254] Exhibit 428 (NC) – Case brief filed on behalf of MOLY-COP CANADA, paras. 67-68

Counsel for the complainant further submitted that the subsidy rates determined for these exporters should be increased to reflect benefits on the record that were not fully captured and subsidies received by related input suppliers that were not adequately disclosed or quantified. Counsel also submitted that critical information requested of Oriental Casting remains outstanding and as such, Oriental Casting's subsidy questionnaire responses should be considered deficient and the CBSA should maintain the all other non-cooperative exporters rate for Oriental Casting in the final determination of subsidy.[255]

Reply submissions

In reply, counsel for the complainant submitted that the exporter's case brief did not address the deficiencies identified in the complainant's case brief and that the CBSA should take these outstanding deficiencies into account in the final determination.[256]

CBSA's response

The CBSA has considered the case briefs and reply submissions provided by counsel for Changshu Longte and counsel for the complainant regarding the completeness and accuracy of the responding exporters' submissions. None of these exporters, other than Changshu Longte, filed a case brief or reply submission. The CBSA has determined that the information provided by these exporters, including Oriental Casting, was substantially complete for the purposes of the final determinations for both the dumping and subsidy investigations. The CBSA's determination of normal values, export prices and amounts of subsidy for these exporters is set out in the Results of the Dumping Investigation and Results of the Subsidy Investigation sections of this document.

Determination of an amount of subsidy

Case briefs

Counsel for Changshu Longte submitted that subsidies should not exceed one level preceding the exporter. Even so, there needs to be evidence to show the subsidy pass through and a connection to the subject goods. Counsel also submitted that subsidies should be properly amortized and allocated based on what was used for subject goods, and equipment subsidies that were not used for subject goods should be removed.[257]

[255] Exhibit 428 (NC) – Case brief filed on behalf of MOLY-COP CANADA, paras. 56-68
[256] Exhibit 432 (NC) – Reply submission from Moly-cop Canada, paras. 57-58
[257] Exhibit 430 (NC) - Case brief filed on behalf of Changshu Longte Grinding Ball Co., Ltd; paras. 47-55

Reply submissions

Counsel for the complainant submitted that upstream subsidies can be pursued throughout the production chain when all the parties are associated and in the case of a vertically integrated company, it can be presumed that any upstream subsidies were passed through to the producer of the goods. Counsel also submitted that there is no legal basis under SIMA to exclude any subsidy categories as non-actionable. Counsel acknowledges that appropriate allocation may be warranted on certain basis such as capital equipment unrelated to the production of FGM.[258]

CBSA's response

The CBSA considered the case briefs provided by counsel. The CBSA reviewed the evidence on the record regarding the pass-through of subsidies received by related input suppliers for the relevant cooperative exporters. For the purpose of the final determination, the CBSA determined the amount of subsidy based on the verified information as provided by the cooperative exporters.

Subsidy programs identified at the initiation

Case briefs

Counsel on behalf of the Government of China submitted that: the CBSA should ensure that program allegations meet the required initiation standard; the complaint and the initiation record did not provide sufficient program-specific evidence for certain programs; the programs were not sufficiently identified or substantiated to permit a meaningful government response; such allegations/programs did not provide a sufficient program-specific basis for initiation or continued examination in this investigation; certain allegations derived from prior proceedings were based on outdated or inapplicable legal premises; program allegations based on prior proceedings, broad descriptions, obsolete legal instruments, or the mere possibility of use should not be initiated or pursued without evidence showing their relevance to the subject goods and the responding companies during the POI; and the subsequent investigation should not be used to cure the absence of sufficient evidence at the time of initiation.[259]

CBSA's response

The CBSA reviewed the information contained in the supporting documents submitted in the complaint, facts available on the administrative record for the CBSA's previous subsidy proceedings, as well as other publicly available reference material, to determine whether the programs could constitute financial contributions in accordance with subsections 2(1) and 2(1.6) of SIMA. The programs were further examined to establish whether they could also be considered specific under subsections 2(7.2) or 2(7.3) of SIMA. At the time of initiation, the CBSA found sufficient evidence to support an investigation into all of the consolidated programs mentioned in the Initiation Statement of Reasons.

[258] Exhibit 432 (NC) – Reply submission from Moly-cop Canada, paras. 52-55
[259] Exhibit 426 (NC) - Case brief filed on behalf of the Government of the People's Republic of China ("GOC"), paras. 11-16

Subsidy programs identified after the initiation

Case briefs

Counsel on behalf of the Government of China submitted that programs identified only after initiation should not be treated as automatically covered by the original initiation, but should undergo a separate evidentiary assessment and the required procedural safeguards. Further, before pursuing such programs, the CBSA should conduct a separate program-specific evidentiary assessment consistent with articles 11.2 and 11.3 of the SCM agreement and provide adequate notice and a meaningful opportunity for the Government of China to consult and respond. The Government of China also submitted that a program should not be treated as properly initiated merely because an enterprise respondent reported it; and the CBSA should not examine or make countervailing findings on later-identified programs unless those programs have been separately supported by sufficient evidence and subjected to the required procedural safeguards.[260]

CBSA's response

At the initiation, the Government of China has been provided a list of known and potential exporters and producers of subject goods and their contact information. For this investigation, the responding companies reported to have received benefits under their recorded programs. During the investigation, the CBSA has conveyed the available program information and the names of responding companies to the Government of China through the government subsidy supplemental RFIs and has offered opportunities to the Government of China to provide the information for those programs recorded by the responding companies and for additional programs investigated by the CBSA. The Government of China did not provide the requested information to enable the CBSA to have sufficient information to consolidate duplicate and/or equivalent programs and to obtain the official program names for the most of programs recorded by the responding companies. For the final determination, based on the facts available on the administrative record, the CBSA consolidated the programs recorded by the responding companies and additional programs further identified by the CBSA, and found a total of 34 consolidated subsidy programs that have conferred benefits to subject goods during the POI.

[260] Exhibit 426 (NC) - Case brief filed on behalf of the Government of the People's Republic of China ("GOC"), paras. 17-21

Government extension request for subsidy investigation

Case briefs

Counsel on behalf of the Government of China submitted that: the CBSA should recognize that reasonable extensions were necessary to provide the Government of China with a meaningful opportunity to respond; such extensions were necessary to ensure a complete and reliable response; the Government of China needed additional time before it could begin preparing its substantive response; and the Government of China required additional time because its response involved internal procedures and broad coordination.[261]

CBSA's response

For this investigation, the Government of China was initially given 37 days to respond to the government subsidy RFI. Following the Government of China's extension request, the CBSA has further granted an extension to the due date of their response to the government subsidy RFI from February 17, 2026 to March 2, 2026.

Scope of subsidy investigation

Case briefs

Counsel on behalf of the Government of China submitted that: the CBSA's investigative approach unreasonably increased the burden on the Government of China; the CBSA did not select a fixed group of mandatory enterprise respondents at the outset in this investigation; because the scope of the Government of China's response depended on which enterprises participated and which programs they reported, the Government of China did not initially know which companies, programs, authorities, and related entities would ultimately be covered; as additional companies and programs were identified during the investigation, the Government of China was required to respond to a continuously changing scope of inquiry, rather than a stable and clearly defined investigation; the CBSA also identified documents and measures through online research and requested the Government of China to confirm and explain them without first adequately establishing their relevance to the responding companies, the subject goods, or the POI; and open-ended investigative methods should not be used in the investigations.[262]

[261] Exhibit 426 (NC) - Case brief filed on behalf of the Government of the People's Republic of China ("GOC"), paras. 22-29

[262] Exhibit 426 (NC) - Case brief filed on behalf of the Government of the People's Republic of China ("GOC"), paras. 30-33

CBSA's response

At the initiation, the Government of China has been provided a list of known and potential exporters and producers of subject goods and their contact information. The Government of China was requested to provide the information for all the subject goods exported to Canada by both responding companies and non-responding companies and for all the programs that have conferred benefits to exporters and/or producers of subject goods. As such, the scope of this investigation was defined. All the inquiries associated with the research of the public available information were related to the subsidy programs investigated by the CBSA in this investigation. These inquiries were used for the purposes of verifying the existence of the investigated programs or collecting the information associated with the programs recorded by the responding companies.

Use of best information available in subsidy investigation

Case briefs

Counsel on behalf of the Government of China submitted that: the CBSA should not rely on best information available without a program-specific explanation; and to the extent the CBSA considers that information remains missing for any specific program, it should identify the precise information gap, explain why that gap is material to the subsidy analysis, and conduct the required program-specific analysis based on the record.[263]
Counsel on behalf of the complainant submitted that the Government of China filed partial responses to the subsidy investigation RFI but failed to provide complete responses despite receiving two supplemental RFIs and an on-site verification.[264]

Reply submissions

Counsel on behalf of the complainant submitted that the CBSA properly treated the Government of China's response as partially complete and should continue to rely on best information available under SIMA where the Government of China's submissions are deficient.[265]

CBSA's response

For the final determination, the program-specific analysis has been performed for each program as recorded by the responding companies and for each consolidated subsidy program. Where sufficient information has not been provided by the Government of China and the responding companies, the CBSA used facts available on the administrative record in its determination.

[263] Exhibit 426 (NC) - Case brief filed on behalf of the Government of the People's Republic of China ("GOC"), paras. 34-36
[264] Exhibit 428 (NC) – Case brief filed on behalf of MOLY-COP CANADA, para. 46
[265] Exhibits 432 (NC) – Reply submission filed on behalf of MOLY COP CANADA, para. 59

Subsidy New Program 4: Tax handling fee refund

Case briefs

Counsel on behalf of the Government of China submitted that: New Program 4 "Tax handling fee refund" does not constitute countervailable subsides; and tax handling fee refunds are compensation for withholding services and do not confer a benefit and are not specific.[266]

Reply submissions

Counsel on behalf of the complainant submitted that: tax handling fee refund is revenue foregone by the Government of China that the enterprise would not otherwise receive but for the government program; whether characterized as compensation for a withholding function or otherwise, the financial contribution and benefit elements are satisfied; and the CBSA should maintain its finding.[267]

CBSA's response

For the final determination, due to the lack of information available on the administrative record, the CBSA was unable to determine the fair market value for the services as provided to the Government of China under this program. Further, the CBSA has determined this program to be not specific. As such, this program was removed from the investigation for the purposes of the final determination.

Subsidy Program 21: Corporate Income Tax Reduction for New and High Technology Enterprises ("NHTE") and subsidy Program 22: Research and Development ("R&D") Super Deduction

Case briefs

Counsel on behalf of the Government of China submitted that: the program "R&D super deduction" is not specific; specificity should be determined on a program-specific basis, based on law and evidence; the CBSA did not adequately consider the Government of China's explanations concerning the R&D super deduction and NHTE ("New High Technology Enterprise") income tax reduction; and the CBSA's findings on these 2 programs lack a sufficient factual and legal basis.[268]

[266] Exhibit 426 (NC) - Case brief filed on behalf of the Government of the People's Republic of China ("GOC"), paras. 37-46
[267] Exhibits 432 (NC) – Reply submission filed on behalf of MOLY COP CANADA, para. 62
[268] Exhibit 426 (NC) - Case brief filed on behalf of the Government of the People's Republic of China ("GOC"), paras. 47-53

Reply submissions

Counsel on behalf of the complainant submitted that: the CBSA has consistently found Chinese R&D subsidies to be specific and actionable under SIMA; a subsidy that is available "in law" to all enterprises may nonetheless be found specific "in fact" under subsection 2(7.3) of SIMA; the Government of China provided no de facto specificity data; and the CBSA's finding should be maintained.[269]

CBSA's response

Program-specific analysis has been performed for the program 21 "Corporate Income Tax Reduction for New and High Technology Enterprises ("NHTE")" and the program 22 "Research and Development ("R&D") Super Deduction". Details could be found in the Appendix 3 of this Statement of Reasons. For the final determination, based on the facts available on the administrative record, the CBSA has determined these 2 programs to be specific and therefore actionable in accordance to the paragraph 2(7.2) (a) or subsection 2(7.3) of SIMA.

Subsidy Program 34: Loans from State-Owned Banks

Case briefs

Counsel on behalf of the Government of China made the following comments with respect to Program 34 "Loans from State-Owned Banks":[270]

- the CBSA's findings on Program 34lack a sufficient factual and legal basis and loan programs require a transaction-specific analysis of the lender, the loan terms, the benchmark, the benefit calculation, and specificity;
- a general memorandum concerning the institutional status of a bank does not establish that:
    - a particular loan to a responding exporter or related supplier was made pursuant to a government program;
    - the bank acted as a government or public body in relation to that specific loan;
    - the loan conferred a benefit;
    - the alleged loan program was specific.
- it has not been established that the loans under investigation were made under a government program rather than through ordinary commercial lending;
- the CBSA was therefore required to make transaction-specific findings concerning the actual loans under investigation, including the lender's role, the loan terms, benchmark, benefit, and specificity;
- if the CBSA uses the Loan Prime Rates (LPRs) as the relevant benchmark for commercial loans in China, it must explain LPR approximates a comparable commercial loan for each investigated loan and must compare the actual terms

[269] Exhibits 432 (NC) – Reply submission filed on behalf of MOLY COP CANADA, para. 62

[270] Exhibit 426 (NC) - Case brief filed on behalf of the Government of the People's Republic of China ("GOC"), paras. 54-64

of each loan with the appropriate benchmark, taking into account currency, term, timing, size, structure, creditworthiness, collateral, fees, and other relevant loan conditions;
- the bank memos do not make loan-specific comparison and the CBSA should not countervail loans based on the bank memos alone;
- at minimum, the CBSA must identify the specific loan, the lender, the legal and factual basis for treating the lender as the government or a public body in relation to that loan, the applicable benchmark, the benefit calculation, and the evidence supporting specificity.

Reply submissions

Counsel on behalf of the complainant submitted that under SIMA subsection 2(1), "government" includes any public body that possesses, exercises, or is vested with governmental authority. They further submitted the CBSA's institutional analysis is a necessary first step, and that transaction-specific benefit analyses follows. Having refused three times to forward the CBSA's bank questionnaires and having blocked the CBSA from obtaining the very transaction-specific data it now demands, the Government of China cannot complain that the analysis lacks transaction-level granularity.[271]

CBSA's response

Program-specific analysis has been performed for the program 34 "Loans from State-Owned Banks". Details could be found in the Appendix 3 of this Statement of Reasons. For the final determination, based on the facts available on the administrative record, the CBSA has determined this program to be specific and therefore actionable in accordance to subsection 2(7.3) of SIMA.

Determination of all other exporters rate for subsidy investigation

Case briefs

Counsel on behalf of the Government of China made the following comments with respect to the determination of all other exporters rate:[272]

- the all other exporters rate must be based on a reasoned and record-supported methodology and this is reinforced by article 19.4 of the SCM agreement and article VI:3 of the GATT 1994;
- the all other exporters rate therefore must remain connected to the subsidy actually found, or reasonably supported by the record, and cannot be constructed through assumptions that overstate the amount of subsidy attributable to exporters that were not individually examined;

[271] Exhibits 432 (NC) – Reply submission filed on behalf of MOLY COP CANADA, para. 62
[272] Exhibit 426 (NC) - Case brief filed on behalf of the Government of the People's Republic of China ("GOC"), paras. 65-75

- current methodology is not supported by the record and based on multiple layers of adverse assumptions, rather than a rate that reasonably reflects the subsidy found to exist for any exporter or for the subject goods;
- current methodology risks overstating all other exporters rate based on assumptions without supporting evidence on the record;
- the CBSA should revise the all other exporters rate as estimated at the preliminary determination and any revised rate should be based on a reasonable and record-supported methodology that reflects the subsidy amounts actually found in this investigation;
- at minimum, the CBSA should not include amounts for programs for which it has not established financial contribution, benefit and specificity, and should not apply the highest observed benefit under one set of programs to different programs for which sufficient program-specific information is unavailable.

CBSA's response

For the final determination, the CBSA has found a total of 34 consolidated subsidy programs that have conferred benefits to subject goods during the POI and all these consolidated subsidy programs are specific and therefore actionable. Based on the facts available on the administrative record, these 34 subsidy programs are consolidated from the programs recorded by the responding companies and additional programs further identified by the CBSA to account for duplicate and/or equivalent programs. For the final determination, for exporters of subject goods originating in or exported from China that did not provide a response to the subsidy RFI, or did not furnish sufficient information, an amount of subsidy was calculated on the basis of the sum of the highest amount of subsidy for each of the 34 consolidated subsidy programs, as found at the final determination, for the cooperative exporters located in China for whom the CBSA has sufficient information to determine an amount of subsidy.

APPENDIX 3 – SUMMARY OF FINDINGS FOR SUBSIDY PROGRAMS

For the final determination, based on the information available on the administrative record, the CBSA consolidated the programs recorded by the responding companies and additional programs further identified by the CBSA to account for duplicate and/or equivalent programs, and found a total of 34 consolidated subsidy programs that have conferred benefits to subject goods during the POI.

For the final determination, the comments from the responding companies for the specificity of their recorded subsidy programs and the comments from the Government of China for the specificity of the investigated subsidy programs have been taken into consideration.

Category 1: Grants and Grants Equivalents

Program 1: Grants related to Foreign Trade Development Fund

General information

Through the foreign trade development fund, the Government of China provides funding support to exporting enterprises: to improve the competitiveness of their exported products; to develop an export processing base; to support the registration of trademarks in foreign countries; to support the training of foreign trade professional; and to explore international markets.

The following programs recorded by the responding companies have been consolidated into this program:

- 2021 Yushan High-Tech Zone Incentive for Promoting High-Quality Enterprise Development
- 2023 Central Government Special Fund for Foreign Trade and Economic Development
- 2023 Special Fund for High-Quality Development of Manufacturing
- Promoting High-Quality Development
- Provincial Special Fund for Foreign Economic and Trade Development

Financial contribution and benefit

For the purposes of the final determination, this program provides a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA in the form of a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

Specificity

The Government of China did not provide information for the programs recorded by the responding companies. The responding companies also did not provide sufficient de jure and/or de facto evidence to demonstrate that the recorded programs are not specific. Based on the facts available on the administrative record, this program constitutes a prohibited subsidy (i.e., export subsidy) as defined in subsection 2(1) of SIMA. For the purposes of the final determination, the CBSA has determined this program to be specific pursuant to paragraph 2(7.2)(b) of SIMA.

Program 2: Grants related to Export Development, Performance and Assistance

General information

Under this program, certain companies in China received grants provided by the Government of China through sources other than foreign trade development fund to assist them in the development of export markets or to recognize their export performance.

The following program recorded by the responding company has been consolidated into this program:

- 2023-Encouraging Foreign Trade Enterprises to Maintain Stability and Improve Quality

Financial contribution and benefit

For the purposes of the final determination, this program provides a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA in the form of a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

Specificity

The Government of China did not provide information for the program recorded by the responding company. The responding company also did not provide sufficient de jure and/or de facto evidence to demonstrate that the recorded program is not specific. Based on the facts available on the administrative record, this program constitutes a prohibited subsidy (i.e., export subsidy) as defined in subsection 2(1) of SIMA. For the purposes of the final determination, the CBSA has determined this program to be specific pursuant to paragraph 2(7.2)(b) of SIMA.

Program 3: Grants related to Research and Development

General information

This program constitutes financial aid for certain enterprises who are determined to have undertaken encouraged research and development activities.

The following programs recorded by the responding companies have been consolidated into this program:

- 2022-High Precision Series Rolling Functional Components Project
- 2023- Technology Application and Demonstration of Cable Suspension Bridges with Super Large Spans
- 2023-Special Alloy Large Ingot Purification Melting and Homogenization Control Technology
- 2023-Special Alloy Large Ingot Purified Melting and Homogenization Control Technology
- 2023-Super Large Span Cable Suspension Bridge Cable and Anchorage System Technology Application and Demonstration
- 2023-Ultra-High Strength, Ultra-Corrosion Resistant, High Fatigue Resistance Bridge Cables and Protective Materials Research and Development
- 2024- Industrial Manufacturing Technology of High Crack Resistance Thick Steel Plates for Extreme Marine Conditions
- 2024- Industrial Manufacturing Technology of Thick Steel Plates for Large Heat Input Welding Resistance
- 2024- Key Technologies for Segmented Control of Ultra-low Oxygen Titanium Smelting of Bearing Steel
- 2024- Research on the Evolution of Microstructure and Properties of Bearing Steel Processing Based on Artificial Intelligence
- 2024-Long Life and High Stability Bearing Steel Performance Evaluation and Demonstration Application
- 2024-Quality Carbon Steel Specification for Deep Drawing
- 2025- Research and Application of Materials for High Precision, High Speed, and High Rigidity Ball Screw Pairs
- 2025-Research and Application of High Precision, High Speed, and High Rigidity Ball Screw Pair Materials
- Application of Intelligent Manufacturing Mode for High Temperature Alloy Materials
- New Vanadium-based Materials Multi-scenario Application R&D Fund
- R&D Funding for High-strength Vanadium-bearing Forged Continuous Casting Round Billet Project

Financial contribution and benefit

For the purposes of the final determination, this program provides a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA in the form of a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

Specificity

The Government of China did not provide information for the programs recorded the responding companies. The responding companies also did not provide sufficient de jure and/or de facto evidence to demonstrate that the recorded programs are not specific. For the purposes of the final determination, based on the facts available on the administrative record, the CBSA has determined this program to be specific pursuant to subsection 2(7.3) of SIMA.

Program 4: Grants related to Trademarks and Branding

General information

These grants are provided to certain enterprises who are recognized for their brands or trademarks or standards development.

The following program recorded by the responding company has been consolidated into this program:

- 2023-Brand, Quality, Standardization Construction Special Funds

Financial contribution and benefit

For the purposes of the final determination, this program provides a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA in the form of a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

Specificity

The Government of China did not provide information for the program recorded by the responding company. The responding company also did not provide sufficient de jure and/or de facto evidence to demonstrate that the recorded program is not specific. For the purposes of the final determination, based on the facts available on the administrative record, the CBSA has determined this program to be specific pursuant to subsection 2(7.3) of SIMA.

Program 5: Performance Award Grants

General information

These grants and awards provide financial aids to certain enterprises with excellent performances or for recognition of their contributions to the local economy.

The following programs recorded by the responding companies have been consolidated into this program:

- 2023 Town level High Quality Economic Development Award
- 2024 High tech Enterprise Recognition Award
- 2024 Town level High Quality Economic Development Award

- 2024-Jiangsu Provincial Quality Award Subsidy Funds
- Changshu Municipal High Quality Development Award for 2024
- Reward funds for cities with strong quality
- Specialized and innovative "Little Giant" Enterprise Award
- Technology standard rewards
- The 8th Qingdao Mayor Quality Award

Financial contribution and benefit

For the purposes of the final determination, this program provides a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA in the form of a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

Specificity

The Government of China did not provide information for the programs recorded by the responding companies. The responding companies also did not provide sufficient de jure and/or de facto evidence to demonstrate that the recorded programs are not specific. For the purposes of the final determination, based on the facts available on the administrative record, the CBSA has determined this program to be specific pursuant to paragraph 2(7.2)(a) or subsection 2(7.3) of SIMA.

Program 6: Environmental Protection, Energy Conservation and Emission Reduction Grants

General information

These are grants provided by the Government of China to certain enterprises for the purposes of improving environmental performance, such as monitoring and cleaning pollutants, improving energy efficiency, upgrading facilities to be more environmentally efficient, and treatment of waste water.

The following programs recorded by the responding companies have been consolidated into this program:

- 2019-2020 Provincial environmental protection guidance fund
- 2021 Port dust online monitoring system project (Changshu Transport Bureau)
- 2021-Development and Industrialization of High Performance Steel Materials Based on Green Energy-saving Processes
- 2022 Central air pollution prevention and control fund
- 2023-Unorganized Emission Control Enhancement Project
- 850 steel rolling Stick line Zhongbang High Speed Rail Plant 2 High speed wire and blast furnace heating furnace SDS calcium based desulfurization 0.15
- 850 steel rolling Stick line Zhongbang High Speed Rail Plant 2 High speed wire and blast furnace heating furnace SDS calcium based desulfurization 0.3

- Converter triple dust removal
- Dust control project in electric furnace area
- Energy Saving and Carbon Reduction Fund
- Energy Saving and Carbon Reduction Subsidy
- Environmental “Class A” Achievement Subsidy
- Environmental ultra-low emission upgrading and renovation project

Financial contribution and benefit

For the purposes of the final determination, this program provides a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA in the form of a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

Specificity

The Government of China did not provide information for the programs recorded by the responding companies. The responding companies also did not provide sufficient de jure and/or de facto evidence to demonstrate that the recorded programs are not specific. For the purposes of the final determination, based on the facts available on the administrative record, the CBSA has determined this program to be specific pursuant to paragraph 2(7.2)(a) or subsection 2(7.3) of SIMA.

Program 7: Subsidies Related to Company/Enterprise Development and Innovation

General information

Grants and incentives are provided to encourage and support certain enterprises to develop business processes or promote innovation.

The following programs recorded by the responding companies have been consolidated into this program:

- 2021- JITRI-Xingcheng Special Steel Joint Innovation Center
- 2024 Provincial Manufacturing High Quality Development Incentive Fund
- Funding and Award for 2024 Standardization Projects
- Funding for the 2023 Changshu Science and Technology Innovation Carrier Recognition Award Subsidy Project
- Prize for Enterprise Group, 5th Shandong Provincial New Material Industry Innovation and Entrepreneurship Competition
- Special Fund for High Quality Development of Manufacturing Industry in Changshu City in 2023
- Special Fund for High-quality Economic Development of Meili Town in 2023

Financial contribution and benefit

For the purposes of the final determination, this program provides a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA in the form of a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

Specificity

The Government of China did not provide information for the programs recorded by the responding companies. The responding companies also did not provide sufficient de jure and/or de facto evidence to demonstrate that the recorded programs are not specific. For the purposes of the final determination, based on the facts available on the administrative record, the CBSA has determined this program to be specific pursuant to paragraph 2(7.2)(a) or subsection 2(7.3) of SIMA.

Program 8: Grants for Relocating Production Facilities

General information

Under this program, the Government of China provides the grants to certain enterprises to support and encourage the relocation of production facilities.

The following programs recorded by the responding company have been consolidated into this program:

- Deferred Revenue - Landfill Fees
- Deferred Revenue - Relocation Project Technical Renovation Subsidies
- Deferred Revenue - Supporting Facilities Compensation Fees

Financial contribution and benefit

For the purposes of the final determination, this program provides a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA in the form of a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

Specificity

The Government of China did not provide information for the programs recorded by the responding company. The responding company also did not provide sufficient de jure and/or de facto evidence to demonstrate that the recorded programs are not specific. For the purposes of the final determination, based on the facts available on the administrative record, the CBSA has determined this program to be specific pursuant to subsection 2(7.3) of SIMA.

Program 9: Grant for Retirement of Capacity

General information

Subsidies provided under this program are grants and incentives that are used to accelerate the elimination of backwards capacity and to support industries with excess production capacity.

For the purposes of the final determination, this program was removed from the investigation as the CBSA has not found this program could have conferred benefits to subject goods during the POI.

Program 10: Patent Assistance/Award

General information

Subsidies under this program to certain enterprises are grants and incentives related to promoting patent-based technology or patent-based projects or the development of intellectual property.

The following programs recorded by the responding companies have been consolidated into this program:

- 2024 Jiangyin City Patent Navigation Project (2024)
- 2025-Yangtze River Economic Belt High-Value Patent Transformation and Application Competition
- Expansion subsidy policy
- Reward for re examination of intellectual property demonstration enterprises
- Reward funds for intellectual property projects in Changshu City in 2024
- Science and Technology Innovation Incentive
- Subsidies Related to Company/Enterprise Development and Innovation

Financial contribution and benefit

For the purposes of the final determination, this program provides a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA in the form of a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

Specificity

The Government of China did not provide information for the programs recorded by the responding companies. The responding companies also did not provide sufficient de jure and/or de facto evidence to demonstrate that the recorded programs are not specific. For the purposes of the final determination, based on the facts available on the administrative record, the CBSA has determined this program to be specific pursuant to paragraph 2(7.2)(a) or subsection 2(7.3) of SIMA.

Program 11: Special Economic Zones (SEZs) and Other Designated Areas Incentives

General information

Subsidies under this program are incentives and favorable policies for certain enterprises to encourage their investments and business development in SEZs and Other Designated Areas.

The following programs recorded by the responding company have been consolidated into this program:

- 2022- Jiangyin High-tech Zone Industry Strengthening Special Funds
- 2022-Jiangyin High-tech Zone Industry Enhancement Special Fund
- 2022 Annual Industry Intensification Special Funds (2023)
- 2022 High-tech Zone Talent Project (Skilled Talent) Subsidy Fund (2023)
- 2023-Science and Technology Innovation Special Funds
- 2023 Annual Digital Transformation and Upgrading Special Fund (2024)
- 2024 Data Element Competition Jiangsu Provincial Sub-competition (2024)
- 2024-Invoice Incentive
- 2024-Jiangyin City High-Tech Enterprise Award and Subsidy for 2023
- 2023 Jiangyin High-tech Zone 'Panlong Talent Plan' Salary Subsidies (2025)

Financial contribution and benefit

For the purposes of the final determination, this program provides a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA in the form of a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

Specificity

The Government of China did not provide information for the programs recorded by the responding company. The responding company also did not provide sufficient de jure and/or de facto evidence to demonstrate that the recorded programs are not specific. For the purposes of the final determination, based on the facts available on the administrative record, the CBSA has determined this program to be specific pursuant to subsection 2(7.3) of SIMA.

Program 12: Grants Related to Employment, Training and Recruitment

General information

Subsidies under this program are grants and incentives designed to promote employment by supporting certain enterprises with the recruitment and training of their employees.

The following programs recorded by the responding companies have been consolidated into this program:

- 2023 Expansion Subsidy (2023)
- 2024-Skills Training Subsidy
- 2024-Tai Lake Talent Advanced Manufacturing Skills Leadership Award
- Absorbing first-time employment subsidies * Meili Town Finance and Asset Management Bureau
- Construction cost of postdoctoral workstation
- Enterprise Employment Incentives for Absorbing Poverty Alleviation Population
- Expansion subsidy
- Expansion subsidy policy
- Funding for Public Training Base for High skilled Talents * Changshu Municipal Human Resources and Social Security Bureau
- Golden Seed Talent Training Fund, Q1 2025
- High skilled talent cultivation award * Changshu Municipal Human Resources and Social Security Bureau
- One time expansion subsidy
- One-time Employment Expansion Subsidy for University Graduates
- Pre job training subsidy
- Pre job training subsidy * Changshu Human Resources Training and Guidance Center
- Pre job training subsidy for enterprise employees * Changshu Human Resources Training and Guidance Center
- Pre-job training subsidy
- Reward and Subsidy Measures for Vocational Skill Level Recognition and Evaluation Institutions
- Reward for cultivating high skilled talents
- Skill Master Studio Funding * Changshu Human Resources and Social Security Bureau
- Spring Festival stay allowance * Meili Town Finance and Asset Management Bureau
- Subsidies for improving the skills of assembly fitters and new apprentices in electrical engineering
- Subsidies for Key Construction Projects of High skilled Talents in Suzhou in 2024 * Changshu Human Resources and Social Security Bureau
- Subsidies for pre job training for enterprise employees
- Subsidies for skill improvement of high-altitude operation machinery operators (senior workers)
- Talent Awards
- Talent Development Fund
- Talent Introduction Subsidy * Changshu Municipal Human Resources and Social Security Bureau

Financial contribution and benefit

For the purposes of the final determination, this program provides a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA in the form of a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

Specificity

The Government of China did not provide information for the programs recorded by the responding companies. The responding companies also did not provide sufficient de jure and/or de facto evidence to demonstrate that the recorded programs are not specific. For the purposes of the final determination, based on the facts available on the administrative record, the CBSA has determined this program to be specific pursuant to paragraph 2(7.2)(a) or subsection 2(7.3) of SIMA.

Program 13: Grants Related to Science and Technology

General information

Subsidies under this program to certain enterprises are grants and incentives designed to specifically promote the development of science and technology.

The following programs recorded by the responding companies have been consolidated into this program:

- 2023 Special Fund for Supporting Municipal and County-level Technological Innovation and Popularization of Science
- 2024 Changshu City Enterprise (Institution) Technology Contract Transaction Amount Incentive Fund
- 2024- Key Technologies for Green and Efficient Continuous Casting and Homogenization of Bearing Steel
- 2024 Qingdao Science and Technology Award
- 2024 Special Fund for Supporting Municipal and County-level Technological Innovation and Popularization of Science
- 2024-Science and Technology Award
- 2025 Qingdao Science and Technology Plan – Industrial Cultivation and Leading Special Project for Key Technology Research (New Energy, New Materials, Equipment Manufacturing, Next-Generation Information Technology)
- Enterprise Technology Center Support Fund
- Qingdao Science and Technology Award
- Subsidy for the Construction Project of Innovation Research Platform for Science and Technology Workers
- Suzhou 2022 21st batch science and technology development plan funds

Financial contribution and benefit

For the purposes of the final determination, this program provides a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA in the form of a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

Specificity

The Government of China did not provide information for the programs recorded by the responding companies. The responding companies also did not provide sufficient de jure and/or de facto evidence to demonstrate that the recorded programs are not specific. For the purposes of the final determination, based on the facts available on the administrative record, the CBSA has determined this program to be specific pursuant to paragraph 2(7.2)(a) or subsection 2(7.3) of SIMA.

Program 14: Grants Related to Social Security

General information

Subsidies under this program to certain enterprises are grants and incentives related to social security (such as employment stabilization).

The following programs recorded by the responding companies have been consolidated into this program:

- 2023 Stable Employment Subsidy * Shanghai Operator Human Resources Co., Ltd
- 2025-Social Security Subsidy
- Employment Stabilization Refund
- Employment Stabilization Refund Subsidy
- Employment Stabilization Subsidy
- Industrial compliance and stability rewards
- Job expansion subsidy
- Job retention refund (Unemployment insurance benefit refund)
- Job Stability Subsidy
- Loss of Insurance Fund of the Human Resources Management Center
- One-time Job Expansion Subsidy
- Stable employment return
- Stable employment subsidy * paid on behalf of the loss insurance fund of the human resources management center
- Stable employment subsidies / Employment stabilization subsidies

Financial contribution and benefit

For the purposes of the final determination, this program provides a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA in the form of a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

Specificity

The Government of China did not provide information for the programs recorded by the responding companies. The responding companies also did not provide sufficient de jure and/or de facto evidence to demonstrate that the recorded programs are not specific. For the purposes of the final determination, based on the facts available on the administrative record, the CBSA has determined this program to be specific pursuant to paragraph 2(7.2)(a) or subsection 2(7.3) of SIMA.

Program 15: Grants to Provide Business Support

General information

Subsidies under this program to certain enterprises are grants and incentives designed to provide business support.

The following programs recorded by the responding companies have been consolidated into this program:

- 2022-Business Development Special Fund
- Special Fund for High Quality Business Development of Changshu City in 2023

Financial contribution and benefit

For the purposes of the final determination, this program provides a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA in the form of a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

Specificity

The Government of China did not provide information for the programs recorded by the responding companies. The responding companies also did not provide sufficient de jure and/or de facto evidence to demonstrate that the recorded programs are not specific. For the purposes of the final determination, based on the facts available on the administrative record, the CBSA has determined this program to be specific pursuant to paragraph 2(7.2)(a) or subsection 2(7.3) of SIMA.

Program 16: Grants related to Financial/Loan Interest

General information

Subsidies under this program are grants and incentives designed to support certain enterprises with financial/loan interest relief.

The following programs recorded by the responding company have been consolidated into this program:

- Jiangsu Provincial Department of Commerce subsidies * relief interest subsidies
- Loan interest subsidy for the first half of 2025 * Changshu Municipal Bureau of Commerce
- Relief interest subsidy * Jiangsu Provincial Department of Commerce
- Suzhou Municipal Bureau of Commerce provides relief and interest subsidies

Financial contribution and benefit

For the purposes of the final determination, this program provides a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA in the form of a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

Specificity

The Government of China did not provide information for the programs recorded by the responding company. The responding company also did not provide sufficient de jure and/or de facto evidence to demonstrate that the recorded programs are not specific. For the purposes of the final determination, based on the facts available on the administrative record, the CBSA has determined this program to be specific pursuant to subsection 2(7.3) of SIMA.

Program 17: Grants for International Certification

General information

The grants under this program are provided to help certain enterprises to obtain international product certification.

This program was removed from the investigation as this program has been included in Program 1: Grants related to Foreign Trade Development Fund.

Program 18: Grants related to Small and Medium-Sized Enterprises

General information

Subsidies under this program are grants and incentives designed to provide supports to small and medium sized enterprises, and to encourage small and medium sized enterprises to perform technical and product innovations and to increase employment.

For the purposes of the final determination, this program was removed from the investigation as the CBSA has not found this program could have conferred benefits to subject goods during the POI.

Program 19: Insurance Grants

General information

Subsidies under this program are grants designed to reimburse export insurance (such as export credit insurance and export shipment insurance) costs incurred by certain enterprises.

The following programs recorded by the responding companies have been consolidated into this program:

- Export Credit Insurance Support Fund
- Special Export Marine Insurance Premium, First Half of 2024

Financial contribution and benefit

For the purposes of the final determination, this program provides a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA in the form of a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

Specificity

The Government of China did not provide information for the programs recorded by the responding companies. The responding companies also did not provide sufficient de jure and/or de facto evidence to demonstrate that the recorded programs are not specific. Based on the facts available on the administrative record, this program constitutes a prohibited subsidy (i.e., export subsidy) as defined in subsection 2(1) of SIMA. For the purposes of the final determination, the CBSA has determined this program to be specific pursuant to paragraph 2(7.2)(b) of SIMA.

New Program 1: Subsidies Related to Rural Demonstration Site

General information

Subsidies under this program to certain enterprises are grants related to the construction of rural demonstration site.

The following program recorded by the responding company has been consolidated into this program:

- Farmland Subsidy (2022 Changshu Meili Town (Shengfa Village) Tianmei Rural Demonstration Site Construction Project)

Financial contribution and benefit

For the purposes of the final determination, this program provides a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA in the form of a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

Specificity

The Government of China did not provide information for the program recorded by the responding company. The responding company also did not provide sufficient de jure and/or de facto evidence to demonstrate that the recorded program is not specific. For the purposes of the final determination, based on the facts available on the administrative record, the CBSA has determined this program to be specific pursuant to paragraph 2(7.2)(a) or subsection 2(7.3) of SIMA.

New Program 2: Grants Related to Parties and Other Organizations

General information

Subsidies under this program to certain enterprises are grants related to return of party fees.

The following program recorded by the responding company has been consolidated into this program:

- Return of "Two New" Party Fees

Financial contribution and benefit

For the purposes of the final determination, this program provides a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA in the form of a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

Specificity

The Government of China did not provide information for the program recorded by the responding company. The responding company also did not provide sufficient de jure and/or de facto evidence to demonstrate that the recorded program is not specific. For the purposes of the final determination, based on the facts available on the administrative record, the CBSA has determined this program to be specific pursuant to paragraph 2(7.2)(a) or subsection 2(7.3) of SIMA.

New Program 3: Energy Subsidies

General information

Subsidies under this program are grants designed to reimburse energy costs incurred by certain enterprises.

The following program recorded by the responding company has been consolidated into this program:

- Heating Subsidy

Financial contribution and benefit

For the purposes of the final determination, this program provides a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA in the form of a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

Specificity

The Government of China did not provide information for the program recorded by the responding company. The responding company also did not provide sufficient de jure and/or de facto evidence to demonstrate that the recorded program is not specific. For the purposes of the final determination, based on the facts available on the administrative record, the CBSA has determined this program to be specific pursuant to subsection 2(7.3) of SIMA.

New Program 4: Tax Handling Fee Refund

General information

Subsidies under this program are refunds related to the handling of taxes.

For the final determination, due to the lack of the facts available on the administrative record, the CBSA was unable to determine the fair market value for the services as provided to the Government of China under this program. Further, the CBSA has determined this program to be not specific. As such, this program identified at the preliminary determination was removed from the investigation for the purposes of the final determination.

New Program 5: Market Statistics Monitoring Subsidy

General information

Subsidies under this program to certain enterprises are incentives to encourage the reporting of market statistics information.

The following program recorded by the responding company has been consolidated into this program:

- Market Statistics Monitoring Subsidy (2024)

Financial contribution and benefit

For the purposes of the final determination, this program provides a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA in the form of a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

Specificity

The Government of China did not provide information for the program recorded by the responding company. The responding company also did not provide sufficient de jure and/or de facto evidence to demonstrate that the recorded program is not specific. For the purposes of the final determination, based on the facts available on the administrative record, the CBSA has determined this program to be specific pursuant to subsection 2(7.3) of SIMA.

New Program 6: Invoice Incentives

General information

Based on the facts available on the administrative record, this program identified at the preliminary determination was removed from the investigation as this program has been included in Program 11: Special Economic Zones (SEZs) and Other Designated Areas Incentives.

New Program 7: Equipment Investment Funds

General information

Subsidies under this program are incentives designed to award certain enterprises for the equipment investments.

The following programs recorded by the responding company have been consolidated into this program:

- Enterprise stock development equipment investment award
- Equipment investment funds * Changshu Meili Technology Entrepreneurship Enterprise Management Service Co., Ltd
- High-quality development transformation and upgrade equipment investment award

Financial contribution and benefit

For the purposes of the final determination, this program provides a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA in the form of a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

Specificity

The Government of China did not provide information for the programs recorded by the responding company. The responding company also did not provide sufficient de jure and/or de facto evidence to demonstrate that the recorded programs are not specific. For the purposes of the final determination, based on the facts available on the administrative record, the CBSA has determined this program to be specific pursuant to subsection 2(7.3) of SIMA.

New Program 8: Rental Subsidies

General information

Subsidies under this program are grants designed to provide supports to certain enterprises for their incurred rental costs.

The following program recorded by the responding company has been consolidated into this program:

- Rental subsidy

Financial contribution and benefit

For the purposes of the final determination, this program provides a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA in the form of a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

Specificity

The Government of China did not provide information for the program recorded by the responding company. The responding company also did not provide sufficient de jure and/or de facto evidence to demonstrate that the recorded program is not specific. For the purposes of the final determination, based on the facts available on the administrative record, the CBSA has determined this program to be specific pursuant to paragraph 2(7.2)(a) or subsection 2(7.3) of SIMA.

New Program 9: Special Project Bond

General information

Subsidies under this program are grants and incentives designed to provide supports to certain enterprises for their special projects through bonds.

The following program recorded by the responding company has been consolidated into this program:

- 2024 Long-Term Special Treasury Bonds - Blower Motor Conversion to Electricity and Expansion of Total Substation Upgrade Project (2024)

Financial contribution and benefit

For the purposes of the final determination, this program provides a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA in the form of a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

Specificity

The Government of China did not provide information for the program recorded by the responding company. The responding company also did not provide sufficient de jure and/or de facto evidence to demonstrate that the recorded program is not specific. For the purposes of the final determination, based on the facts available on the administrative record, the CBSA has determined this program to be specific pursuant to subsection 2(7.3) of SIMA.

New Program 10: National Debt Funds to Support Equipment Renovation and Updating Projects

General information

Subsidies under this program are grants and incentives specifically designed to provide supports to certain enterprises for their equipment renovation and updating projects through national debt funds.

The following program recorded by the responding company has been consolidated into this program:

- Energy-saving Renovation Project of Existing Continuous Caster Equipment

Financial contribution and benefit

For the purposes of the final determination, this program provides a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA in the form of a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

Specificity

The Government of China did not provide information for the program recorded by the responding company. The responding company also did not provide sufficient de jure and/or de facto evidence to demonstrate that the recorded program is not specific. For the purposes of the final determination, based on the facts available on the administrative record, the CBSA has determined this program to be specific pursuant to paragraph 2(7.2)(a) or subsection 2(7.3) of SIMA.

New Program 11: Technological Transformation Investment Subsidy

General information

Subsidies under this program are grants and incentives designed to specifically encourage enterprises to provide or make technological transformation investments.

The following program recorded by the responding company has been consolidated into this program:

- 2024 Technological Transformation Investment Subsidy

Financial contribution and benefit

For the purposes of the final determination, this program provides a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA in the form of a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

Specificity

The Government of China did not provide information for the program recorded by the responding company. The responding company also did not provide sufficient de jure and/or de facto evidence to demonstrate that the recorded program is not specific. For the purposes of the final determination, based on the facts available on the administrative record, the CBSA has determined this program to be specific pursuant to paragraph 2(7.2)(a) or subsection 2(7.3) of SIMA.

New Program 12: Funds for Special Projects

General information

Subsidies under this program to certain enterprises are grants and incentives designed to specifically encourage the development, construction or implementation of certain special projects.

The following programs recorded by the responding company have been consolidated into this program:

- Bonded Warehouse Base Project
- Railway project
- Steel pipe product upgrade and renovation project
- Zhongbang Project

Financial contribution and benefit

For the purposes of the final determination, this program provides a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA in the form of a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

Specificity

The Government of China did not provide information for the programs recorded by the responding company. The responding company also did not provide sufficient de jure and/or de facto evidence to demonstrate that the recorded programs are not specific. For the purposes of the final determination, based on the facts available on the administrative record, the CBSA has determined this program to be specific pursuant to subsection 2(7.3) of SIMA.

New Program 13: Provincial special fund for building a manufacturing powerhouse (formerly Provincial industrial and information industry transformation and upgrading special fund)

General information

Through special funds as established by the provincial government, grants and incentives are provided to certain enterprises to promote high-end and intelligent and green development of the manufacturing industry and to accelerate the building of the province into a manufacturing powerhouse.

In Jiangsu province, this program was/is administered by Department of Industry and information Technology of Jiangsu Province and Department of Finance of Jiangsu Province. The relevant policy document is Measures for administration of Jiangsu province special fund for building a manufacturing powerhouse [2024] No.3.

The following programs recorded by the responding companies have been consolidated into this program:

- 2023-Jiangyin City Industrial and Information Technology Transformation and Upgrading Special Funds
- 2024- Resource Comprehensive Utilization Gas Power Generation Project
- 2024-Resource Comprehensive Utilization of Gas Power Generation Project
- The second batch of special funds for the construction of a strong manufacturing province in Jiangsu Province in 2024

Financial contribution and benefit

For the purposes of the final determination, this program provides a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA in the form of a direct transfer of funds from the government, and it confers a benefit to the recipient equal to the amount of the grant.

Specificity

The Government of China did not provide sufficient information for this program.[273] The responding companies also did not provide sufficient de jure and/or de facto evidence to demonstrate that the recorded programs are not specific. For the purposes of the final determination, based on the facts available on the administrative record, the CBSA has determined this program to be specific pursuant to paragraph 2(7.2)(a) or subsection 2(7.3) of SIMA.

Category 2: Tax Programs

Program 20: Corporate Income Tax Exemption and/or Reduction in Special Economic Zones (SEZs) and Other Designated Areas

General information

This program relates to government offering preferential corporate income tax rates for companies situated in designated preferential areas.

For the purposes of the final determination, this program was removed from the investigation as the CBSA has not found this program could have conferred benefits to subject goods during the POI.

Program 21: Corporate Income Tax Reduction for New and High Technology Enterprises ("NHTE")

General information

This program is designed to encourage enterprises to strengthen scientific and technological innovation and increase investment in R&D and innovation activities, by providing preferential income tax treatment to enterprises recognized as high-tech enterprises.

This program is provided under the Enterprise Income Tax Law of the People's Republic of China, the Implementation Regulations for the Enterprise Income Tax Law, and the Administrative Measures on Accreditation of High-tech Enterprises (2016 Revision) (Guo Ke Fa Huo [2016] No. 32). The relevant Articles in the Enterprise Income Tax Law and the Implementation Regulations for the Enterprise Income Tax Law are Article 28 and Article 93. The standard of being recognized as a high-tech enterprise is based on Article 11 of the Administrative Measures on Accreditation of High-tech Enterprises (2016 Revision).

Under this program, companies recognized as high-tech enterprises are entitled to a reduced income tax rate of 15 percent rather than the normal national corporate income tax rate of 25 percent. This program is administered nationwide by the State Administration of Taxation of the People's Republic of China and is implemented by local tax authorities within their respective jurisdictions.

[273] Exhibit 397 (NC) - Verification report - the Government of China

Financial contribution and benefit

For the purposes of the final determination, this program provides a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA. That is, amounts that would otherwise be owing and due to the government are deducted and/or exempted, and confer a benefit to the recipient equal to the amount of the deduction/exemption.

Specificity

The Government of China submitted that this program satisfies the non-specificity conditions under Article 2.1(b) of the WTO SCM Agreement and subsection 2(7.1) of SIMA, and thus is not specific.

Article 28 of the Enterprise Income Tax Law stipulates that the enterprise income tax on important high- and new tech enterprises that are necessary to be supported by the state shall be levied at the reduced tax rate of 15%.

Article 93 of the Implementation Regulations for the Enterprise Income Tax Law stipulates that the expression "high and new-technology enterprises under the key support of the state" as used in Article 28 (2) of the Enterprise Income Tax are enterprises that have their own independent, kernel intellectual property rights and at the same time meet the following conditions:

(1) The product (service) falls within the scope of the High and New Technology Areas Entitled to the Key Support of the State;
(2) The proportion of research and development expenses in the sales revenues is not lower than the prescribed proportion;
(3) The proportion of the income from high and new technology products (services) in the total income of the enterprise is not lower than the prescribed proportion.
(4) The proportion of technicians in the total number of staff members of the enterprise is not lower than the prescribed proportion;
(5) Other conditions as stipulated in the measures for the determination of high and new technology enterprises.

The High and New Technology Areas Entitled to the Key Support of the State and the measures for the determination of high and new technology enterprises shall be formulated by the competent departments of the State Council in charge of industry and information technology and science and technology, treasury, and taxation in collaboration with other relevant departments, and shall become effective after being ratified by the State Council.

Article 11 of the Administrative Measures on Accreditation of High-tech Enterprises stipulates that an enterprise shall satisfy all the following criteria to be accredited as a high-tech enterprise:
(1) it has been established for more than one year at the time of application for accreditation;

(2) it has obtained intellectual property ownership for the core technology of its key products (services) through independent research and development, assignment, acceptance of gift, merger and acquisition, etc;
(3) the core technology of its key products (services) falls under the scope stipulated in the Regions of Advanced Technologies Strongly Supported by the State;
(4) its technical personnel engaging in research and development and the relevant technological innovation activities constitute more than 10% of the total number of employees of the enterprise in the current year;
(5) the percentage of the total amount of expenditure for research and development in the past three accounting years (where the actual operating period is less than three years, compute in accordance with the actual operating period, same hereinafter) in the total amount of revenue from sale shall satisfy the following requirements:
(a) the percentage shall not be less than 5% for enterprises whose revenue from sale in the past year is less than RMB50 million (inclusive);
(b) the percentage shall not be less than 4% for enterprises whose revenue from sale in the past year ranges from RMB50 million to RMB200 million (inclusive); and
(c) the percentage shall not be less than 3% for enterprises whose revenue from sale in the past year is more than RMB200 million.
The percentage of the total amount of research and development expenses incurred in China by the enterprise constitutes not less than 60% of its total amount of research and development expenses;
(6) the revenue from high-tech products (services) constitutes more than 60% of the total revenue of the enterprise in the current period;
(7) the enterprise's innovation capacity evaluation satisfies the corresponding requirements; and
(8) the enterprise has no record of major safety or quality incident or serious environmental violation during the year preceding the application.

Before the on-site verification, the CBSA provided the verification questionnaire[274] to the Government of China. Through this document, the CBSA requested the Government of China to provide a detailed clarification and corresponding supporting documents if the Government of China issued or published any documents to further explain/clarify/interpret the restrictive terms as stipulated in Article 93 of the Implementation Regulations for the Enterprise Income Tax Law and/or Article 11 of the Administrative Measures on Accreditation of High-tech Enterprises (2016 Revision) (such as “independent”, “kernel intellectual property rights”, “the scope”, “the prescribed proportion”, “high and new technology products (services)”, “other conditions”, “the core technology”, “key products (services)”, “the scope stipulated in the Regions”, “the relevant technological innovation activities”, “high-tech products (services)”, “innovation capacity evaluation”, “the corresponding requirements”, “major” and “serious”), or any documents to explain/clarify the application of those terms. The CBSA also requested the Government of China to provide a copy of the High and New Technology Areas Entitled to the Key Support of the State (as stipulated in Article 93 of the Implementation Regulations for the Enterprise Income Tax Law), a copy of Advanced Technologies Strongly Supported by the State (as stipulated in Article 11 of the Administrative Measures on Accreditation of

[274] Exhibit 393 (PRO) - Communications with the Government of China with regard to on-site verification (including verification agenda and verification questionnaire)

High-tech Enterprises (2016 Revision)), and any other documents referenced therein. Those terms and requested documents are considered to serve as the criteria or conditions governing eligibility for the subsidy from this program.

During the on-site verification, the Government of China responded that they did not have documents to further explain/clarify/interpret those terms, or to explain/clarify the application of those terms.[275] In addition, the Government of China did not submit the requested documents (the High and New Technology Areas Entitled to the Key Support of the State and Advanced Technologies Strongly Supported by the State).[276] When inquired, the Government of China also responded that they did not have submissions for any other de jure evidence and/or de facto evidence to demonstrate that this program was/is generally available/not specific.[277]

As such, sufficient information has not been provided or furnished by the Government of China to enable the CBSA to determine that this program satisfies the non-specificity conditions under Article 2.1(b) of the WTO SCM Agreement and subsection 2(7.1) of SIMA, and thus is not specific.

During the investigation, the CBSA requested the Government of China to provide information to analyze if the subsidy from this program is specific pursuant to subsection 2(7.3) of SIMA. The requested information has not been provided by the Government of China to the CBSA. Further, the responding companies also did not provide sufficient de jure and/or de facto evidence to demonstrate that this program is not specific.

For the purposes of the final determination, the CBSA has determined this program to be specific pursuant to paragraph 2(7.2)(a) or subsection 2(7.3) of SIMA, based on the facts available on the administrative record:

- The criteria or conditions governing eligibility for the subsidy from this program are not objective and the subsidy from this program is limited to a particular enterprise within the jurisdiction of the authority that is granting the subsidy.
- Due to the number of responding companies who were found to have received benefits under this program, this program is considered to be not generally available.

Program 22: Research and Development ("R&D") Super Deduction

General information

This program is designed to encourage enterprises to increase their investment in R&D activities and strengthen innovation by allowing qualifying R&D expenses incurred for developing new technologies, new products and new processes to be additionally deducted when computing taxable income.

[275] Exhibit 397 (NC) - Verification report - the Government of China
[276] Exhibit 397 (NC) - Verification report - the Government of China
[277] Exhibit 397 (NC) - Verification report - the Government of China

This program is provided under Article 30 of the Enterprise Income Tax Law, Article 95 of the Implementation Regulations for the Enterprise Income Tax Law and the Announcement of the Ministry of Finance and the State Taxation Administration on Further Improving the Policies Regarding Weighted Pre-tax Deduction of Research and Development Expenses (2023) (Announcement No. 7 [2023] of the Ministry of Finance and the State Taxation Administration).

Under this program, qualifying R&D expenses incurred for the development of new technologies, new products and new processes are entitled to an additional deduction when computing taxable income. The program is administered by the State Administration of Taxation of the People's Republic of China, and is implemented by the local level state tax authorities within their respective jurisdictions. Qualifying enterprises were/are allowed to get different additional deduction percentages for the expenses incurred for the qualifying research and development activities by meeting different criteria.

Financial contribution and benefit

For the purposes of the final determination, this program provides a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA. That is, amounts that would otherwise be owing and due to the government are deducted and/or exempted, and confer a benefit to the recipient equal to the amount of the deduction/exemption.

Specificity

The Government of China submitted that this program satisfies the non-specificity conditions under Article 2.1(b) of the WTO SCM Agreement and subsection 2(7.1) of SIMA, and thus is not specific.

Article 30 of the Enterprise Income Tax Law stipulates that the following expenses of an enterprise may be additionally calculated and deducted:

(1) The expenses for the research and development of new technologies, new products and new techniques; and
(2) The wages paid to the disabled employees or other employees whom the state encourages to hire.

Article 95 of the Implementation Regulations for the Enterprise Income Tax Law stipulates that the term "additional deduction of research and development expenses" as used in Article 30 (1) of the EIT Law refers to an additional 50% deduction of the research and development expenses incurred from the research and development of new technologies, new products, and new techniques on the basis of the actual deductions where the enterprise when no intangible asset has been formed and calculated into the current gains and losses. If intangible assets have been formed, they shall be amortized at 150% of the cost of the intangible assets.

Section II of the Announcement of the Ministry of Finance and the State Taxation Administration on Further Improving the Policies Regarding Weighted Pre-tax Deduction of Research and Development Expenses (2023) stipulates that other policy standards and management requirements for enterprises to enjoy the policies regarding weighted pre-tax deduction of R&D expenses shall be governed by the relevant provisions of the Notice by the Ministry of Finance, the State Taxation Administration and the Ministry of Science and Technology of Improving the Policies Regarding the Weighted Pre-tax Deduction of Research and Development Expenses (No. 119 [2015], MOF), the Notice by the Ministry of Finance, the State Taxation Administration and the Ministry of Science and Technology of Issues Concerning the Relevant Policies Regarding the Weighted Pre-tax Deduction of the Entrusted Overseas Research and Development Expenses of Enterprises (No. 64 [2018], MOF) and other documents.

Before the on-site verification, the CBSA provided the verification questionnaire[278] to the Government of China. Through this document, the CBSA requested the Government of China to provide a detailed clarification and corresponding supporting documents if the Government of China issued or published any documents to further explain/clarify/interpret the restrictive term as stipulated in Article 30 of the Enterprise Income Tax Law and Article 95 of the Implementation Regulations for the Enterprise Income Tax Law (i.e., "new technologies, new products and new techniques"), or any documents to explain/clarify the application of the term. The CBSA requested a copy of the Notice by the Ministry of Finance, the State Taxation Administration and the Ministry of Science and Technology of Improving the Policies Regarding the Weighted Pre-tax Deduction of Research and Development Expenses (No. 119 [2015], MOF) (and any other documents referenced therein). In addition, the CBSA requested the Government of China to provide a complete list for the "other documents" as stipulated in Section II of the Announcement of the Ministry of Finance and the State Taxation Administration on Further Improving the Policies Regarding Weighted Pre-tax Deduction of Research and Development Expenses (2023) and a copy for each of such documents. The term (i.e., "new technologies, new products and new techniques") and requested documents are considered to serve as the criteria or conditions governing eligibility for the subsidy from this program.

During the on-site verification, the Government of China responded that they did not have existing documents to further explain/clarify/interpret the term (i.e., "new technologies, new products and new techniques"), or to explain/clarify the application of the term.[279] The Government of China provided a memorandum[280] for the phase "New Technologies, New Products and New Processes" under Article 30(1) of the Enterprise Income Tax Law, without additional supporting documents. In the memorandum, the Government of China provided the following submissions:

[278] Exhibit 393 (PRO) - Communications with the Government of China with regard to on-site verification (including verification agenda and verification questionnaire)
[279] Exhibit 397 (NC) - Verification report - the Government of China
[280] Exhibit 395 (NC) - Verification exhibits - Government of China ("GOC") – Exhibit 2 (Memorandum on the Phrase "New Technologies, New Products and New Processes" under Article 30(1) of the Enterprise Income Tax Law)

- The Notice by the Ministry of Finance, the State Taxation Administration and the Ministry of Science and Technology of Improving the Policies Regarding the Weighted Pre-tax Deduction of Research and Development Expenses (No. 119 [2015], MOF) is relevant to the practical application of the R&D super deduction policy.
- The "R&D activities" in the Notice No. 119 [2015] means the on-going systematic activities with definite objectives conducted by enterprises for the purpose of acquiring new knowledge on science and technology, creatively applying new scientific and technological knowledge, or materially improving technologies, products (services) and techniques. This formulation focuses on the nature of the enterprise's activities, including whether they are systematic, continuous, objective-oriented, and directed toward acquiring or creatively applying scientific and technological knowledge or materially improving technologies, products, services or processes.
- The Notice No. 119 [2015] clarified that certain activities are not subject to the weighted pre-tax deduction polices, including: the conventional upgrading of enterprises' products or services; the direct application of certain scientific research achievements, such as direct application of publicly available new processes, materials, devices, products, services or knowledge; technical support activities provided by enterprises to their clients after commercialization; repetitive or simple changes of existing products, services, technologies, materials or technological processes; market surveys and research, efficiency investigation or management research; quality control, test analysis, repair or maintenance as an industry or service process or conventional step; and research in terms of social sciences, arts or humanities.

During the on-site verification, after receiving a copy of the Notice by the Ministry of Finance, the State Taxation Administration and the Ministry of Science and Technology of Improving the Policies Regarding the Weighted Pre-tax Deduction of Research and Development Expenses (Cai Shui [2015] No.119), the CBSA further inquired if the Government of China issued or published any documents to further explain/clarify/interpret the following paragraph: "For the purpose of this Notice, "R&D activities" means the on-going systematic activities with definite objectives conducted by enterprises for the purpose of acquiring new knowledge on science and technology, creatively applying new scientific and technological knowledge, or materially improving technologies, products (services) and processes." or any documents to explain/clarify the application of this paragraph. The Government of China responded that there were/are no existing documents to further explain/clarify/interpret this paragraph, or to explain/clarify the application of this paragraph.[281] This paragraph is considered to serve as critical criteria or conditions governing eligibility for the subsidy from this program.

[281] Exhibit 397 (NC) - Verification report - the Government of China

During the on-site verification, the Government of China did not submit a complete list for the "other documents" as stipulated in Section II of the Announcement of the Ministry of Finance and the State Taxation Administration on Further Improving the Policies Regarding Weighted Pre-tax Deduction of Research and Development Expenses (2023) and did not submit a copy for each of such documents. The Government of China only responded that the "other documents" as stipulated in Section II of the Announcement of the Ministry of Finance and the State Taxation Administration on Further Improving the Policies Regarding Weighted Pre-tax Deduction of Research and Development Expenses (2023) were/are not relevant to this investigation.[282] When inquired, the Government of China also responded that they did not have submissions for any other de jure evidence and/or de facto evidence to demonstrate that this program was/is generally available/not specific.[283]

As such, sufficient information has not been provided or furnished by the Government of China to enable the CBSA to determine that this program satisfies the non-specificity conditions under Article 2.1(b) of the WTO SCM Agreement and subsection 2(7.1) of SIMA, and thus is not specific.

During the investigation, the CBSA requested the Government of China to provide information to analyze if the subsidy from this program is specific pursuant to subsection 2(7.3) of SIMA. The requested information has not been provided by the Government of China to the CBSA. Further, the responding companies also did not provide sufficient de jure and/or de facto evidence to demonstrate that this program is not specific.

For the purposes of the final determination, the CBSA has determined this program to be specific pursuant to paragraph 2(7.2)(a) or subsection 2(7.3) of SIMA, based on the facts available on the administrative record:

- The criteria or conditions governing eligibility for the subsidy from this program are not objective and the subsidy from this program is limited to a particular enterprise within the jurisdiction of the authority that is granting the subsidy.
- Due to the number of responding companies who were found to have received benefits under this program, this program is considered to be not generally available.

Program 23: Corporate Income Tax Reduction for Micro and Small Enterprises

General information

This program provides qualifying micro and small businesses with a reduced corporate income tax rate, instead of the normal national corporate income tax rate of 25 percent.

The following program recorded by the responding company has been consolidated into this program:

[282] Exhibit 397 (NC) - Verification report - the Government of China
[283] Exhibit 397 (NC) - Verification report - the Government of China

- Corporate Income Tax Reduction for Micro and Small Enterprises

Financial contribution and benefit

For the purposes of the final determination, this program provides a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA. That is, amounts that would otherwise be owing and due to the government are deducted and/or exempted, and confer a benefit to the recipient equal to the amount of the deduction/exemption.

Specificity

The Government of China did not provide information for the program recorded by the responding company. The responding company also did not provide sufficient de jure and/or de facto evidence to demonstrate that the recorded program is not specific. For the purposes of the final determination, based on the facts available on the administrative record, the CBSA has determined this program to be specific pursuant to paragraph 2(7.2)(a) or subsection 2(7.3) of SIMA.

Program 24: Reduction in Land Use Tax or Rental Fees

General information

This program provides qualifying businesses with a reduced land use tax rate.

The following program recorded by the responding company has been consolidated into this program:

- Preferential Policy for Urban Land Use Tax for Manufacturing High and New Technology Enterprises

Financial contribution and benefit

For the purposes of the final determination, this program provides a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA. That is, amounts that would otherwise be owing and due to the government are deducted and/or exempted, and confer a benefit to the recipient equal to the amount of the deduction/exemption.

Specificity

The Government of China did not provide information for the program recorded by the responding company. The responding company also did not provide sufficient de jure and/or de facto evidence to demonstrate that the recorded program is not specific. For the purposes of the final determination, based on the facts available on the administrative record, the CBSA has determined this program to be specific pursuant to paragraph 2(7.2)(a) or subsection 2(7.3) of SIMA.

Program 25: Municipal/local Income or Property Tax Reductions

General information

This program relates to reductions and exemptions provided by municipal/local income authorities in respect of resource tax, urban maintenance and construction tax, property tax, farmland occupation tax, stamp duty, education surcharge, and local education surcharge.

For the purposes of the final determination, this program was removed from the investigation as the CBSA has not found this program could have conferred benefits to subject goods during the POI.

Program 26: Tax Policies related to Foreign Invested Enterprises (FIEs)

General information

This program relates to preferential tax policies for FIEs, such as tax credit for foreign investors reinvesting dividends.

For the purposes of the final determination, this program was removed from the investigation as the CBSA has not found this program could have conferred benefits to subject goods during the POI.

Program 27: Preferential Tax Policies in the Western Regions

General information

Certain companies located in the Western Regions of China are entitled to preferential tax policies.

For the purposes of the final determination, this program was removed from the investigation as the CBSA has not found this program could have conferred benefits to subject goods during the POI.

New Program 14: Tax policies related to enterprises recruiting self-employed or retired soldiers for entrepreneurship and employment

General information

Subsidies under this program are tax polices designed to specifically encourage enterprises to recruit self-employed or retired soldiers for entrepreneurship and employment.

The following program recorded by the responding company has been consolidated into this program:

- Tax policies related to enterprises recruiting self-employed retired soldiers for entrepreneurship and employment

Financial contribution and benefit

For the purposes of the final determination, this program provides a financial contribution pursuant to paragraph 2(1.6)(b) of SIMA. That is, amounts that would otherwise be owing and due to the government are deducted and/or exempted, and confer a benefit to the recipient equal to the amount of the deduction/exemption.

Specificity

The Government of China did not provide information for the program recorded by the responding company. The responding company also did not provide sufficient de jure and/or de facto evidence to demonstrate that the recorded program is not specific. For the purposes of the final determination, based on the facts available on the administrative record, the CBSA has determined this program to be specific pursuant to paragraph 2(7.2)(a) or subsection 2(7.3) of SIMA.

Category 3: Relief from Duties and Taxes

Program 28: Offsets to Taxable Income Related to Purchases of Domestic Machinery

General information

The amount of an enterprise's investment in the purchase of special equipment for environmental protection, energy and water saving, work safety, etc. may be deducted from the tax amount at a certain rate.

For the purposes of the final determination, this program was removed from the investigation as the CBSA has not found this program could have conferred benefits to subject goods during the POI.

Program 29: Relief from Duties and Taxes on Imported Material and Other Manufacturing Inputs

General information

Under this program, certain enterprises are entitled to paying taxes and/or custom duties for imported materials and/or other manufacturing inputs at reduced rates.

For the purposes of the final determination, this program was removed from the investigation as the CBSA has not found this program could have conferred benefits to subject goods during the POI.

Category 4: Goods/Services Provided by the Government

Program 30: Acquisition of Steel Bar or Other Material Input from SOE

General information

This program relates to the acquisition of inputs materials (steel bar or other material input) from Chinese State-Owned Enterprises (SOEs) at below fair market value. SIMA permits SOEs to be treated as "government" if they are found to possess, exercise or be vested with governmental authority.

Due to the lack of information on the administrative record, the CBSA was unable to determine that SOE input suppliers to the responding exporters/producers of subject goods constituted "government" under paragraph (b) of subsection 2(1) of SIMA.

For the purposes of the final determination, this program was removed from the investigation as the CBSA has not found this program could have conferred benefits to subject goods during the POI.

Program 31: Acquisition of Utilities (electricity, etc.) from SOE

General information

This program relates to the acquisition of utilities (gas, electricity, etc.) from Chinese State-Owned Enterprises (SOEs) at below fair market value. SIMA permits SOEs to be treated as "government" if they are found to possess, exercise or be vested with governmental authority.

For the purposes of the final determination, this program was removed from the investigation as the CBSA has not found this program could have conferred benefits to subject goods during the POI.

Program 32: Provision of Land by Government

General information

All land in China belongs to the Government of China (i.e., either national or local governments, or through a "collective" at the township or village level), and government land agencies across China control the allocation of land through the granting of land-use rights. Under this program, certain enterprises are entitled to reduced prices for land purchased from the Government of China.

The Government of China submitted that this program does not exist as a discrete, administrable program and the CBSA should terminate its investigation into this program. However, facts available on the administrative record indicates that lands had been sold to certain enterprises at less than the prices as established by the Government of China.

Financial contribution and benefit

For the purposes of the final determination, this program provides a financial contribution pursuant to paragraph 2(1.6)(c) of SIMA. That is, the government provides goods or services, other than general infrastructure, at less than fair market price.

Specificity

The Government of China did not provide information for this program. The responding company also did not provide sufficient de jure and/or de facto evidence to demonstrate that this program is not specific. For the purposes of the final determination, based on the facts available on the administrative record, the CBSA has determined this program to be specific pursuant to subsection 2(7.3) of SIMA.

Program 33: Debt-to-Equity Swaps

General information

The debt-to-equity swap is one of the most significant measures used in the financial restructuring of China's state-owned enterprises (SOEs) and state-owned banks. A debt-to-equity swap is a transaction in which a creditor forgives some or all of a company's debt in exchange for equity in the company.

For the purposes of the final determination, this program was removed from the investigation as the CBSA has not found this program could have conferred benefits to subject goods during the POI.

Category 5: Loans and Loan Guarantees

Program 34: Loans from State-Owned Banks

General information

This program relates to government loans at a preferential rate of interest. SIMA permits Sate-Owned banks to be treated as "government" if they are found to possess, exercise or be vested with governmental authority.

Specifically, an entity will constitute "government" under paragraph (b) of subsection 2(1) of SIMA when it possesses, exercises, or is vested with governmental authority. The following are factors that could indicate that this is the case in a particular entity:

- Express delegation or vesting of authority to an entity by statute or other legal instrument;
- Evidence that an entity is, in fact, exercising governmental functions;
- Evidence that a government exercises meaningful control over an entity.

In their responses[284], the Government of China made the following submissions:

- Commercial banks in China, whether state-owned or not, are not "authorities" within the meaning of "public bodies" within the meaning of Article 1.1(a)(1) the SCM Agreement.
- With respect to the daily operations of banks and the appointment of senior management, Chinese commercial banks are independent and not subject to interference from any organization or individual.
- In terms of operations, Chinese commercial banks are also independent and free from interference by any organization or individual.
- Regarding the issuance of loans, decisions made by Chinese commercial banks are entirely based on market factors and are not subject to interference by any organization or individual.
- As for credit assessment, Chinese commercial banks are also completely based on commercial evaluation logic and are not subject to interference by any organization or individual.
- With regard to interest rate setting, Chinese commercial banks are also based on market factors and are not subject to interference by any organization or individual.
- The lending process of Chinese commercial banks is standardized, transparent, and fair, and the process itself demonstrates that loan issuance and decision-making are not subject to interference by any organization or individual.
- Loans granted by China's commercial banks are based on commercial principles and market conditions. There is a commercial lending market in China. Loan interest rates in China are market-based, and commercial banks independently determine lending rates in accordance with market principles, taking into account factors such as funding costs and risk premiums, without government intervention in the pricing of bank loans.

During the investigation, the CBSA requested the Government of China and the responding companies to forward relevant public bodies questions and specific loan questions to the following 6 Chinese state-owned banks:

- The Export-Import Bank of China
- China Development Bank
- Industrial and Commercial Bank of China
- China Construction Bank
- Bank of China
- Agriculture Bank of China

No responses have been received from any of those 6 Chinese state-owned banks.

[284] Exhibit 137 (PRO) & 138 (NC) - Response to request for information (RFI) - subsidy from the Government of China ("GOC"); Exhibit 291 (PRO) & 292 (NC) - Response to supplemental request for information (SRFI) #1 from the Government of China; Exhibit 336 (NC) - Response to supplemental request for information (SRFI) #2 - subsidy from the Government of China;

Based on the facts available on the administrative record[285], the CBSA has determined that the Export-Import Bank of China and China Development Bank constituted "government" under paragraph (b) of subsection 2(1) of SIMA, due to:

- Express delegation or vesting of authority to the Export-Import Bank of China and China Development Bank, through Article of association of the Export-Import Bank of China, Supervision and management measures of the Export-Import Bank of China, Article of association of China Development Bank, and Supervision and management measures of China Development Bank.
- Evidence that the Export-Import Bank of China and China Development Bank were, in fact, exercising governmental functions, on the basis of annual reports as published by the Export-Import Bank of China and China Development Bank.
- Evidence that the Government of China exercised meaningful control over the Export-Import Bank of China and China Development Bank, on the basis of Article of association of the Export-Import Bank of China, Supervision and management measures of the Export-Import Bank of China, Article of association of China Development Bank, Supervision and management measures of China Development Bank, and annual reports as published by the Export-Import Bank of China and China Development Bank.

Based on the facts available on the administrative record [286], the CBSA has further considered that the Export-Import Bank of China and China Development Bank were, in fact, exercising governmental functions when providing loans to the responding companies during the POI.

Based on the facts available on the administrative record[287], the CBSA has determined that Industrial and Commercial Bank of China, China Construction Bank, Bank of China and Agriculture Bank of China constituted "government" under paragraph (b) of subsection 2(1) of SIMA when these 4 Chinese state-owned banks implemented the mandates, guidance, notices, polices and/or requirements as stipulated by the Government of China in respect of developing/promoting/advancing five major priorities/tasks/areas (technology finance, green finance, inclusive finance, pension finance and digital finance) and serving real economy, due to:

- Evidence that Industrial and Commercial Bank of China, China Construction Bank, Bank of China and Agriculture Bank of China were, in fact, exercising governmental functions, on the basis of the mandates as stipulated by China Central Financial Work Conference, policy documents as published by China National Financial Regulatory

[285] Exhibit 416 (NC) - "Government" or "Public Body" Analysis of China Development Bank and Benchmark Interest Rates; Exhibit 417 (NC) - "Government" or "Public Body" Analysis of The Export-Import Bank of China and Benchmark Interest Rates;

[286] Exhibit 416 (NC) - "Government" or "Public Body" Analysis of China Development Bank and Benchmark Interest Rates; Exhibit 417 (NC) - "Government" or "Public Body" Analysis of The Export-Import Bank of China and Benchmark Interest Rates;

[287] Exhibit 421 (NC) - "Government" or "Public Body" Analysis of ICBC, CCB, BOC and ABC in China and Benchmark Interest Rates

Administration, Chinese monetary policy reports as released by the People's Bank of China and annual reports as published by these 4 Chinese state-owned banks.

- Evidence that the Government of China exercised meaningful control over Industrial and Commercial Bank of China, China Construction Bank, Bank of China and Agriculture Bank of China, on the basis of the mandates as stipulated by China Central Financial Work Conference, policy documents as published by China National Financial Regulatory Administration, Chinese monetary policy reports as released by the People's Bank of China and annual reports as published by these 4 Chinese state-owned banks.

Based on the facts available on the administrative record [288], the CBSA has further considered that Industrial and Commercial Bank of China, China Construction Bank, Bank of China and Agriculture Bank of China were, in fact, exercising governmental functions (i.e., implementing the mandates, guidance, notices, polices and/or requirements as stipulated by the Government of China in respect of developing/promoting/advancing five major priorities/tasks/areas (technology finance, green finance, inclusive finance, pension finance and digital finance) and serving real economy) when providing loans to the responding companies during the POI.

During the investigation, the CBSA requested the specific loan information from those 6 Chinese state-owned banks for the POI, such as the details about how the loan rate was determined for the responding companies; a complete and clear list of criteria that the responding companies must meet in order to get the loan rate determined for them; the loan rate offered by other banks for a same, similar or comparable loan; the general availability of preferential loan rate as provided to the responding companies; etc.

None of those 6 Chinese state-owned banks have provided the requested information to the CBSA. As such, no information has been provided to the CBSA to perform more detailed analysis for each specific loan received by the responding companies.
Based on the facts available on the administrative record, the benchmark interest rates for commercial loans in China are the Loan Prime Rates (LPRs) (including the 1-year LPR and the over-5-year LPR)[289]. As such, LPRs published by the China National Interbank Funding Center, as authorized by the People's Bank of China, were selected as the benchmark interest rates to determine if a specific loan has been provided to the responding companies at a preferential loan rate. When determining the benefit for a specific loan received by the responding companies, the start date of the specific loan and the term of the specific loan were used to select applicable LPR on the basis of the characteristics of LPRs. No other information is available on the administrative record for the CBSA to establish other benchmark interest rates or to make adjustments to LPRs.

[288] Exhibit 421 (NC) - "Government" or "Public Body" Analysis of ICBC, CCB, BOC and ABC in China and Benchmark Interest Rates

[289] Exhibit 137 (PRO) & 138 (NC) - Response to request for information (RFI) - subsidy from the Government of China ("GOC")

Financial contribution and benefit

For the purposes of the final determination, this program provides a financial contribution pursuant to paragraph 2(1.6)(a) of SIMA in the form of a direct transfer of funds from the government. The benefit would be the difference between the amount that would be payable on a benchmark commercial loan versus the amount which is payable under the government loan.

Specificity

The Government of China did not provide specificity information for this program. The responding companies also did not provide sufficient de jure and/or de facto evidence to demonstrate that this program is not specific. For the purposes of the final determination, the CBSA has determined this program to be specific pursuant to subsection 2(7.3) of SIMA, based on the facts available on the administrative record:

- The number of the companies receiving the loans at the rates below the applicable LPRs is considered to be limited as LPR is the most preferential lending rate offered by a commercial bank to its prime clients[290].
- Due to the number of responding companies who were found to have received benefits under this program, this program is considered to be not generally available.
- This program is considered to be not generally available, as loans from those 6 Chinese state-owned banks were not provided to the responding companies always at the rates below the applicable LPRs.

Program 35: Loan Guarantee Through the Government of China/SOE Banks/Public Bodies

General information

This program relates to the provision of guarantees for borrowers or debt issuers by the government, SOE banks or public bodies. A loan guarantee is assurance provided by the Government of China, a SOE bank or public body (the guarantor) to assume the debt obligation of a borrower if that borrower defaults. A guarantee can be limited or unlimited, making the guarantor liable for only a portion or all of the debt. SIMA permits Sate-Owned banks to be treated as "government" if they are found to possess, exercise or be vested with governmental authority.

For the purposes of the final determination, this program was removed from the investigation as the CBSA has not found this program could have conferred benefits to subject goods during the POI.

[290] Exhibit 405 (NC) - CBSA additional subsidy research materials: ICBC Bank LPR

Program 36: Export Financing and Export Credit Guarantee/Insurance

General information

The Export-Import Bank of China is a state-funded and state-owned policy bank. It is a bank directly under the leadership of the State Council and dedicated to supporting China's foreign trade, investment and international economic cooperation.

China Export & Credit Insurance Corporation is a state-funded policy-oriented insurance company with the mission of supporting China's foreign trade and economic cooperation.

The Export-Import Bank of China and China Export & Credit Insurance Corporation provided export loans and export credit guarantees/insurance to the enterprises in China.

SIMA permits Sate-Owned banks or State-Owned Enterprises to be treated as "government" if they are found to possess, exercise or be vested with governmental authority.

For the purposes of the final determination, this program was removed from the investigation as the CBSA has not found this program could have conferred benefits to subject goods during the POI.

Program 37: Debt and Interest Forgiveness on Loans from State-Owned Banks

General information

Under this program, certain enterprises are entitled to the forgiveness of their debt or interests on loans from State-Owned banks. SIMA permits Sate-Owned banks to be treated as "government" if they are found to possess, exercise or be vested with governmental authority.

For the purposes of the final determination, this program was removed from the investigation as the CBSA has not found this program could have conferred benefits to subject goods during the POI.