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CANADA – SURTAX AND TARIFF RATE QUOTAS ON IMPORTS OF CERTAIN STEEL AND ALUMINIUM GOODS, INCLUDING GOODS CONTAINING CHINESE-ORIGIN INPUTS

REQUEST FOR CONSULTATIONS BY CHINA

The following communication, dated 15 August 2025, from the delegation of China to the delegation of Canada, is circulated to the Dispute Settlement Body in accordance with Article 4.4 of the DSU.

1. My authorities have instructed me to request consultations with the Government of Canada pursuant to Article 4 of the *Understanding on Rules and Procedures Governing the Settlement of Disputes* ("DSU"), Article XXIII of the *General Agreement on Tariffs and Trade 1994* ("GATT 1994"), Article 7 of the *Agreement on Rules of Origin*, and Article 6 of the *Agreement on Import Licensing Procedures* with respect to Canada's surtax or tariff rate quotas (TRQs) on the importation of certain steel goods originated in non-free trade agreements (non-FTA) partners with Canada, including China, and Canada's surtax on certain steel products and aluminum goods that contain steel melted and poured in China or contain aluminum smelted and cast in China.

I. MEASURES AT ISSUE

2. On 27 June 2025, Canada imposed surtax of 50% on imports of certain steel products of five classes (categories) above certain established quota amounts originated from non-FTA partners with Canada, including China, with certain trade partners exempted from the surtax. The measure is in the form of tariff rate quotas (TRQs).

3. The annual quota amount of the TRQs corresponds to all of 2024 imports from non-FTA partners. The annual quota is divided into quarterly total amount and quarterly maximum amount per country of origin for each class of steel products.

4. The TRQs are administered on a first-come, first-served basis during the first two quarters. Only importation with shipment-specific permit could be declared under TRQs and not subject to the surtax. The application by the importer for and the validity of the shipment-specific permit are limited to narrow range of periods around the date of arrival of the shipment, and the country of melt and pour of the imported goods must be specified by the importer.

5. On 16 July 2025, Canada announced, effective on 1 August 2025, to reduce the annual quota amounts of the TRQs for non-FTA partners to 50 percent of 2024 imports from such non-FTA partners, and to extend TRQs to imports from partners with free trade agreements with Canada ("FTA partners"), with the exception of the United States and Mexico, with the annual quota amount at the 2024 imports level from these FTA partners. The amended measures also expand the scope of the products covered by the TRQs measures and reclassified products covered by the TRQs measures.

6. Effective on 31 July 2025, Canada imposed surtax of 25% on imports of certain steel goods that contain steel melted and poured in China and certain aluminum goods that contain aluminum smelted and cast in China.

7. The legal documents through which Canada imposes and administers the measures at issue include, *inter alia*:

- Order Imposing a Surtax on the Importation of Certain Steel Goods, 2025-0534 (2025-06-26);
- Customs Notice 25-24: Order Imposing a Surtax on the Importation of Certain Steel Goods, Canada Border Services Agency (2025-06-27);
- Notice to importers: Item 82-Steel goods -Serial No.1139, Global Affairs Canada (2025-06-27);
- Tariff-rate quotas on imports of steel mill products, Department of Finance Canada (2025-06-28);
- Support for the Canadian Steel Sector, Department of Finance Canada (2025-07-16);
- Order Amending the Order Imposing a Surtax on the Importation of Certain Steel Goods, 2025-0593 (2025-07-30);
- Customs Notice 25-24: Order Imposing a Surtax on the Importation of Certain Steel Goods, Canada Border Services Agency (updated 2025-08-01);
- Notice to importers: Item 82 – Steel goods – Serial No. 1142, Global Affairs Canada (2025-08-01);
- Import Control List as amended by Order Imposing a Surtax on the Importation of Certain Steel Goods, 2025-0534, and Order Amending the Order Imposing a Surtax on the Importation of Certain Steel Goods, 2025-0593;
- Steel Goods and Aluminum Goods Surtax Order, 2025-0592 (2025-07-30);
- Customs Notice 25-28: Steel Goods and Aluminum Goods Surtax Order, Canada Border Services Agency (2025-07-31).

8. The measures at issue also include any modifications, replacements or amendments to the measures identified above, and any closely connected, subsequent or implementing measures.

II. LEGAL BASIS FOR THE COMPLAINT

9. The measures at issue appear to be inconsistent with Canada's obligations under the following provisions of the GATT 1994, the Agreement on Rules of Origin, and the Agreement on Import Licensing Procedures, including:

A. TRQs Measures

- Article I:1 of the GATT 1994, because by imposing TRQs measures on the steel products from the non-FTA partners, Canada fails to extend immediately and unconditionally to products subject to the TRQs originating in non-FTA partners, including China, an "advantage, favour, privilege or immunity" granted by Canada "[w]ith respect to customs duties and charges of any kind imposed on or in connection with" and "with respect to all rules and formalities in connection with" the importation of products originating in the United States, Mexico and FTA partners Members.
- Articles II:1(a) and (b) of the GATT 1994, because Canada's TRQs measures impose surtax on imported products subject to the TRQs and above the quota amounts originating in non-FTA partners, including China, in excess of Canada's bound rates in its Schedule of Concessions and Commitments annexed to the GATT 1994, and therefore fails to accord to the products originating in non-FTA partners, including China, and imported into Canada

treatment no less favourable than that provided for in Canada's Schedule of Concessions and Commitments annexed to the GATT 1994.

- Article X:3(a) of the GATT 1994, because Canada does not administer the TRQs measures in a uniform, impartial, and reasonable manner, such as sudden adjustment of the quota amounts, unreasonable administration on quota, etc.
- Article XI:1 of the GATT 1994, because the administration of the TRQs measures by Canada constitutes a prohibition or restriction other than duties, taxes or other charges on the importation of products subject to the measures.
- Article XIII of the GATT 1994, such as because the importation of the like product of certain Members is not similarly restricted as the restrictions applied by the TRQs measures on importation from non-FTA partners, including China, and the TRQs measures are not applied to aim at the distribution of trade in the covered product approaching as closely as possible the shares which the Members might be expected to obtain in the absence of the TRQs measures.
- Article 3.2 of the Agreement on Import Licensing Procedures, because the requirement for specifying country of melt and pour of the imported goods for the shipment-specific permits does not correspond in scope and duration to the TRQs measures the permits are used to implement, is more administratively burdensome than absolutely necessary to administer the TRQs measures, and have trade-restrictive or -distortive effects on imports additional to those caused by the TRQs measures.

B. Surtax Measures on Certain Steel and Aluminum Goods

- Article I:1 of the GATT 1994, because Canada's surtax measures on certain steel and aluminum goods applied only on products that contain steel melted and poured in China or contain aluminum smelted and cast in China, and Canada failed to extend immediately and unconditionally the "advantage, favour, privilege or immunity" granted by Canada "[w]ith respect to customs duties and charges of any kind imposed on or in connection with" and "with respect to the method of levying such duties and charges" the importation of certain steel and aluminum goods that contain steel melted and poured or aluminum smelted and cast in other Members to the like products originating in China.
- Articles II:1(a) and (b) of the GATT 1994, because Canada's surtax measures on certain steel and aluminum goods impose surtax on products that contain steel melted and poured in China or contain aluminum smelted and cast in China in excess of Canada's bound rates in its Schedule of Concessions and Commitments annexed to the GATT 1994, and therefore fails to accord to the products treatment no less favourable than that provided for in Canada's Schedule of Concessions and Commitments annexed to the GATT 1994.
- Articles 2(b), 2(c) and 2(d) of the Agreement on Rules of Origin, because, by imposing surtax measures on certain steel and aluminum goods that contain steel melted and poured in China or contain aluminum smelted and cast in China, Canada uses rules of origin as instruments to pursue trade objectives directly or indirectly, creates restrictive, distorting, or disruptive effects on international trade, and discriminate between Members.

10. In addition, and as a consequence of the foregoing, the measures at issue appear to nullify or impair benefits accruing to China, directly or indirectly, under the cited agreements.

11. China reserves the right to raise additional measures and claims regarding the matters identified herein during the course of consultations and in any future request for the establishment of a panel.

12. China looks forward to receiving the reply of the Government of Canada to this request and to setting a mutually convenient date for consultations.