C-570-013
Sunset Review
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March 24, 2020

MEMORANDUM TO: Jeffrey I. Kessler
Assistant Secretary
for Enforcement and Compliance

FROM: James Maeder
Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations

SUBJECT: Issues and Decision Memorandum for the Expedited First Sunset Review of the Countervailing Duty Order on Carbon and Certain Alloy Steel Wire Rod from the People's Republic of China

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I. SUMMARY

We have analyzed the substantive response of the domestic interested parties in the first sunset review of the countervailing duty (CVD) order covering carbon and certain alloy steel wire rod (wire rod) from the People's Republic of China (China).[1] We did not receive a response from the Government of China (GOC) or from any other interested party. Accordingly, we conducted an expedited (120-day) sunset review pursuant to section 751(c)(3)(B) of the Tariff Act of 1930, as amended (the Act), and 19 CFR 351.218(e)(1)(ii)(C)(2). We recommend that you approve the positions described in the "Discussion of the Issues" section of this memorandum. Below is the complete list of the issues in this sunset review for which we received a substantive response:

1. Likelihood of continuation or recurrence of a countervailable subsidy

2. Net countervailable subsidy likely to prevail

3. Nature of the subsidy

II. BACKGROUND

On December 2, 2019, Commerce published the notice of initiation of the first sunset review of the CVD order on wire rod from China,[2] pursuant to section 751(c) of the Act.[3] Commerce

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[1] *See Carbon and Certain Alloy Steel Wire Rod from the People's Republic of China: Amended Final Affirmative Countervailing Duty Determination and Countervailing Duty Order*, 80 FR 1018 (January 8, 2015) (*Order*).
[2] *See Order*.
[3] *See Initiation of Five-Year (Sunset) Review*, 84 FR 65968 (December 2, 2019).

received a notice of intent to participate from Charter Steel, Commercial Metals Company, EVRAZ Rocky Mountain Steel, Liberty Steel USA, Nucor Corporation, and Optimus Steel LLC (collectively, domestic interested parties), within the deadline specified in 19 CFR 351.218(d)(1)(i).[4] Each claimed interested party status under section 771(9)(C) of the Act, as domestic producers engaged in the production in the United States of wire rod.

Commerce received a substantive response from the domestic interested parties[5] within the 30-day deadline specified in 19 CFR 351.218(d)(3)(i). We received no substantive response from any other domestic or interested parties in this proceeding, nor was a hearing requested.

On January 22, 2020, Commerce notified the U.S. International Trade Commission (ITC) that it did not receive an adequate substantive response from respondent interested parties.[6] As a result, pursuant to section 751(c)(3)(B) of the Act and 19 CFR 351.218(e)(1)(ii)(C)(2), Commerce conducted an expedited (120-day) sunset review of this CVD order.

III. HISTORY OF THE *ORDER*

On November 19, 2014, Commerce published its final determination that countervailable subsidies are being provided to producers and exporters of wire rod from China.[7] We applied subsidy rates of 193.31 percent to Benxi Steel,[8] 178.46 percent to Hebei Iron & Steel Co., Ltd. Tangshan Branch (Hebei Iron & Steel), and 185.89 percent to all others.[9]

Commerce relied on adverse facts available (AFA) to find that the following programs provided countervailable benefits to the respondents:[10]

1. Policy Loans
2. Preferential Loans
3. Directed Credit
4. Treasury Bond Loans or Grants
5. Development of Famous Brands and China World Top Brands Programs

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[4] *See* Domestic Interested Parties' Letter, "Carbon and Certain Alloy Steel Wire Rod from the People's Republic of China: Notice of Intent to Participate," dated December 17, 2019.
[5] *See* Domestic Interested Parties' Letter, "Carbon and Certain Alloy Steel Wire Rod from the People's Republic of China: Substantive Response," dated January 2, 2020 (Domestic Interested Parties' Substantive Response).
[6] *See* Commerce's Letter, "Sunset Reviews Initiated on December 2, 2019," dated January 22, 2020.
[7] *See Carbon and Certain Alloy Steel Wire Rod from the People's Republic of China: Final Affirmative Countervailing Duty Determination and Final Affirmative Determination of Critical Circumstances Determination*, 79 FR 68858 (November 19, 2014) (*Final Determination*), and accompanying Issues and Decision Memorandum (IDM), as amended by the *Order*.
[8] Benxi Steel is comprised of: Benxi Beiying Iron & Steel Group Import & Export Corp.; Benxi Beiying Iron & Steel (Group) Co., Ltd.; Benxi Steel Group Corporation; Beitai Iron & Steel (Group) Co., Ltd.; Benxi Northern Steel Rolling Co., Ltd.; Benxi Beifang Gaosu Steel Wire Rod Co., Ltd.; Benxi Beitai Gaosu Steel Wire Rod Co., Ltd.; Benxi Northern Steel Co., Ltd.; Benxi Beifang Second Rolling Co., Ltd.; Benxi Beitai Ductile Iron Pipes Co., Ltd.; Benxi Iron and Steel (Group) Metallurgy Co., Ltd.; Benxi Iron and Steel (Group) Real Estate Development Co., Ltd.; Benxi Iron & Steel (Group) Co., Ltd.; Bei Tai Iron and Steel Group Imp. And Exp. (Dalian) Co., Ltd.; and Bengang Steel Plate Co., Ltd.
[9] *See Order*, 80 FR at 1019.
[10] *See Final Determination* IDM at 8 – 9.

6. Sub-Central Government Subsidies for Development of Famous Brands and China World Top Brands
7. Funds for Outward Expansion of Industries in Guangdong Province
8. Provincial Fund for Fiscal and Technological Innovation
9. State Specific Fund for Promoting Key Industries and Innovation Technologies
10. Shandong Province's Special Fund for the Establishment of Key Enterprise Technology Centers
11. Grants for Antidumping Investigations
12. Shandong Province's Award Fund for Industrialization of Key Energy-Saving Technology
13. Shandong Province's Environmental Protection Industry Research and Development (R&D) Funds
14. Shandong Province's Construction Fund for Promotion of Key Industries
15. Waste Water Treatment Subsidies
16. Funds of Guangdong Province to Support the Adoption of E-Commerce by Foreign Trade Enterprises
17. Technology to Improve Trade R&D Fund
18. The Provision of Steel Billet for Less than Adequate Remuneration (LTAR)
19. The Provision of Electricity for LTAR
20. The Provision of Land-Use to State-Owned Enterprises (SOEs) for LTAR
21. Land-Use Rights Extension
22. Income Tax Reductions Under Article 28 of the Enterprise Income Tax Law (EIT)
23. The Two Free/Three Half Program for Foreign-Invested Enterprises (FIEs)
24. Income Tax Reductions for Export-Oriented FIEs
25. Income Tax Benefits for FIEs Based on Geographic Locations
26. Local Income Tax Exemption and Reduction Programs for "Productive" FIEs
27. Preferential Tax Programs for FIEs Recognized as High and New Technology Enterprises (HNTEs)
28. Tax Offsets for R&D Under the EIT
29. Tax Offsets for R&D by FIEs
30. Tax Refunds for Reinvestment of FIE Profits in Export-Oriented Enterprises
31. Tax Benefits to Enterprises in the Northeast Region
32. Forgiveness of Tax Arrears for Enterprises Located in the Old Industrial Bases of Northeast China
33. Value-Added Tax (VAT) and Import Duty Exemptions for Use of Imported Equipment
34. VAT Rebates on FIE Purchases of Chinese-Made Equipment
35. VAT and Tariff Exemptions for Purchases of Fixed Assets Under the Foreign Trade Development Fund Program

In addition, Commerce relied on AFA to find that Benxi Steel received countervailable benefits from the following grant programs:[11]

1. 2nd Batch Science and Technology Plan Projects of Liaoning Province
2. Dandong Finance Bureau Directly Pays the Zero-Balance Account With Discounted Interest

[11] *See Final Determination* IDM at 7 – 8.

3. Demonstration Project to Improve the Mixed Iron Ore Recovery in Dressing Plant
4. Energy-Efficiency Subsidies of Electricity Generating Project
5. Financial Discounts
6. Financial Operation Subsidy for Environmental Protection Project
7. Financial Reward Funds of Energy-Saving Technical Transformation
8. Fiscal Award for Energy-Saving Technical Reconstruction
9. Fund for Sewage Charges
10. Funds of Government Support
11. Government Allocated Fund for Technology Advancement
12. Government Subsidy for Electricity Purchase Fund
13. Governmental Subsidiary {sic} for Low-Rent Lease
14. Governmental Support Funds
15. Land Transfer Fee of Canvas Factory Returned by Government
16. Return of Land Acquisition Costs of the Second Tailing Pond of Nanfen Dressing Plant of Bengang
17. Returned Tax
18. Reward Fund for Developing International Steel Market
19. Special Eco-Friendly Subsidy for Sewage Charges
20. Special Environmental Protection Subsidy
21. Special Fund for Introducing Overseas Advanced and Applicable Technology into the Province in 2013
22. Special Funds of the Municipal Environmental Protection Bureau
23. Subsidies for Closing Down Outdated Production Facilities
24. Subsidies for Motor Bus (2010)
25. Subsidies for the Dry Quenching Project of #6 and #7 Coking Oven
26. Subsidy Fund For Cleaner Production Demonstration Project
27. Supporting Funds for the Infrastructures of the Finance Bureau of Dandong Border Economic Cooperation Zone
28. The 2nd Central Clean Production Demonstration Project

Additionally, we made an adverse inference that Hebei Iron & Steel benefitted from Direct Government Grants to Hebei Iron & Steel.[12]

Since the issuance of the *Order*, Commerce has not conducted any administrative reviews, new shipper reviews, scope rulings, circumvention determinations, or changed circumstances determinations.

IV. SCOPE OF THE *ORDER*

The merchandise covered by this *Order* is certain hot-rolled products of carbon steel and alloy steel, in coils, of approximately circular cross section, less than 19.00 mm in actual solid cross-sectional diameter. Specifically excluded are steel products possessing the above-noted physical characteristics and meeting the Harmonized Tariff Schedule of the United States (HTSUS) definitions for (a) stainless steel; (b) tool steel; (c) high nickel steel; (d) ball bearing steel; or (e) concrete reinforcing bars and rods. Also excluded are free cutting steel (also known as free

[12] *See Final Determination* IDM at 7.

machining steel) products (*i.e.*, products that contain by weight one or more of the following elements: 0.1 percent or more of lead, 0.05 percent or more of bismuth, 0.08 percent or more of sulfur, more than 0.04 percent of phosphorus, more than 0.05 percent of selenium, or more than 0.01 percent of tellurium). All products meeting the physical description of subject merchandise that are not specifically excluded are included in this scope.

The products subject to this *Order* are currently classifiable under subheadings 7213.91.3011, 7213.91.3015, 7213.91.3020, 7213.91.3093; 7213.91.4500, 7213.91.6000, 7213.99.0030, 7227.20.0030, 7227.20.0080, 7227.90.6010, 7227.90.6020, 7227.90.6030, and 7227.90.6035 of the HTSUS. Products entered under subheadings 7213.99.0090 and 7227.90.6090 of the HTSUS also may be included in this scope if they meet the physical description of subject merchandise above. Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the merchandise covered by the *Order* is dispositive.

V. LEGAL FRAMEWORK

In accordance with section 751(c)(1) of the Act, Commerce conducted this sunset review to determine whether revocation of the *Order* would likely lead to continuation or recurrence of a countervailable subsidy. Section 752(b) of the Act provides that, in making this determination, Commerce shall consider: (1) the net countervailable subsidy determined in the investigation and any subsequent reviews; and (2) whether any changes in the programs which gave rise to the net countervailable subsidy have occurred that are likely to affect the net countervailable subsidy.

Pursuant to section 752(b)(3) of the Act, Commerce shall provide the ITC with the net countervailable subsidy likely to prevail if the order were revoked. In addition, consistent with section 752(a)(6) of the Act, Commerce shall provide the ITC with information concerning the nature of the subsidy and whether it is a subsidy described in Article 3 or Article 6.1 of the 1994 World Trade Organization Agreement on Subsidies and Countervailing Measures (SCM).

VI. DISCUSSION OF THE ISSUES

Below we address the comments of the domestic interested parties.

1. Likelihood of Continuation or Recurrence of a Countervailable Subsidy

<u>Interested Party Comments</u>[13]

Citing section 752(b)(1) of the Act, the SAA,[14] and the *Policy Bulletin*,[15] the domestic interested parties assert that an affirmative determination of continuation or recurrence is warranted because the subsidies at issue in the original investigation remain in existence and have not been

[13] *See* Domestic Interested Parties' Substantive Response at 8 – 12.
[14] *See* Statement of Administrative Action accompanying the URAA, H.R. Doc. 103-316, vol. 1 (1994) (SAA) at 888.
[15] *See Policies Regarding the Conduct of Five-year ("Sunset") Reviews of Antidumping and Countervailing Duty Orders; Policy Bulletin*, 63 FR 18871 (April 16, 1998) (*Policy Bulletin*).

terminated or suspended. Further, they note that the investigation rates remain in place for all exporters, because no administrative reviews or new shipper reviews of the *Order* have been completed. Additionally, the domestic interested parties note the significant decline in imports since the imposition of the *Order*, is a direct result of the efficacy of the *Order* and absent the *Order*, subsidized imports from China would likely increase significantly in volume.

Commerce's Position:

As stated above, in determining the likelihood of continuation or recurrence of a countervailable subsidy, section 752(b)(1) of the Act directs Commerce to consider the net countervailable subsidy determined in the investigation and subsequent reviews and whether there has been any change in a program found to be countervailable that is likely to affect that net countervailable subsidy. According to the SAA, Commerce will consider the net countervailable subsidies in effect after the issuance of an order and whether the relevant subsidy programs have been continued, modified, or eliminated.[16] The SAA further states that continuation of a program will be highly probative of the likelihood of continuation or recurrence of countervailable subsidies.[17] The presence of programs that have not been used, but have not been terminated without residual benefits or replacement programs, is also probative of the likelihood of continuation or recurrence of a countervailable subsidy.[18] Where a subsidy program is found to exist, Commerce will normally determine that revocation of the relevant order would likely to lead to continuation or recurrence of a countervailable subsidy, regardless of the level of subsidization.[19]

In the investigation, Commerce found that countervailable subsidies were being provided to Chinese exporters and producers of wire rod under the programs listed above. No party submitted evidence to demonstrate that these countervailable programs have expired or been terminated, and there is no information on the record of this proceeding indicating any changes to the programs found countervailable during the investigation. Absent argument or evidence to the contrary, we find that these countervailable programs continue to exist and be used. Therefore, Commerce determines that there is a likelihood of continuation or recurrence of countervailable subsidies.

2. Net Countervailable Subsidy Rates Likely to Prevail

Interested Party Comments[20]

The domestic interested parties assert that, consistent with the SAA and the *Policy Bulletin*, Commerce will normally select the rate determined in the original investigation, as that is the only calculated rate that reflects the behavior of exporters and foreign governments without the discipline of an order in place. Accordingly, the domestic interested parties argue that pursuant to the principles set forth in the SAA, Commerce should report the following CVD rates to the

[16] *See* SAA at 888.
[17] *Id*.
[18] *See, e.g.*, *Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products from Brazil: Final Results of Full Sunset Review of Countervailing Duty Order*, 75 FR 75455 (December 3, 2010), and accompanying IDM at Comment 1.
[19] *Id*.
[20] *See* Domestic Interested Parties' Substantive Response at 12 – 13.

ITC: (1) 193.31 percent for Benxi Steel; (2) 178.46 percent for Hebei Iron & Steel; and (3) 185.89 percent to all others.

Commerce's Position:

Consistent with the SAA and legislative history, Commerce will normally provide the ITC with the net countervailable subsidy that was determined in the investigation as the subsidy rate likely to prevail if the order is revoked because, as noted by the domestic interested parties, it is the only calculated rate that reflects the behavior of exporters and foreign governments without the discipline of an order in place.[21] While section 752(b)(l)(B) of the Act provides that Commerce will consider whether any change in the programs which gave rise to the net countervailable subsidy determination in the investigation or subsequent reviews has occurred that is likely to affect the net countervailable subsidy, Commerce has not completed an administrative review of this *Order*. Therefore, in this sunset review, we determine the company-specific countervailable subsidy rates likely to prevail are the rates assigned in the *Order*. The countervailable subsidy rates, which Commerce determines are likely to prevail upon revocation of the order, are provided in the "Final Results of Review" section of this memorandum.

3. Nature of the Subsidies

In accordance with section 752(a)(6) of the Act, Commerce is providing the following information to the ITC concerning the nature of these subsidy programs and whether these programs constitute subsidies that fall within Article 3 or Article 6.1 of the SCM Agreement. We note that Article 6.1 of the SCM Agreement expired, effective January 1, 2000.

Commerce is providing to the ITC a list of the following programs which were found countervailable on the basis of AFA, and we are providing a description of the programs initiated on by Commerce, as described by the domestic interested parties.[22]

Preferential Loans, Policy Loans, and Directed Credit
Chinese steel producing companies, including steel wire rod producers, get low-interest loans from state policy banks and state-owned commercial banks to fund their growth. The domestic interested parties contend that such subsidies are granted pursuant to political directives from the central or provincial governments, rather than creditworthiness or other market-based factors, and benefit SOEs and industries, such as the steel industry, that are favored by the GOC and in line with its goals.

Treasury Bond Loans or Grants
China annually announces that certain projects will receive financial support through Treasury bond proceeds.

Development of Famous Brands and China World Top Brands Programs
In 1992, the GOC initiated the Famous Brands Program to increase exports. According to the Office of the United States Trade Representative (USTR), the Famous Brands and China World

[21] *See* SAA at 890.
[22] *See Final Determination* IDM at Attachment.

Top Brands programs provide grants, loans, and other incentives to enterprises in China, in an effort to implement an industrial policy of promoting the development of global Chinese brand names, and to increase sales of Chinese branded and other Chinese merchandise around the world.

Sub-Central Government Subsidies for Development of Famous Brands and China World Top Brands

In addition to the central government, a number of "sub-central" (*i.e.*, provincial and local) governments in China have promulgated various policies to implement the goals of the Famous Export Brands and Top Brands programs. These programs provide additional financial support to companies with products designated as famous brands in order to increase sales of Chinese branded merchandise around the world.

Funds for Outward Expansion of Industries in Guangdong Province

This program was established pursuant to *Implementing Measures of Guangdong Province concerning the Support of Development of Outward Privately-Held Enterprises*, and aims to provide eligible private enterprises located in the Guangdong Province with special funds to develop their export activities.

Provincial Fund for Fiscal and Technological Innovation

This program is administered by the Provincial Department of Finance and Economic and Trade Commission of Guangdong Province pursuant to the *Provisional Measures on Administration of Exploration and Renovation Provincial Level Fund*, and provides grants to firms with the goal of promoting technological and fiscal innovation.

State Specific Fund for Promoting Key Industries and Innovation Technologies

The National Development and Reform Commission and the Ministry of Industry and Information Technology provide a one-time grant, under a special fund for promoting key industries and innovation technologies, to assist eligible companies, including steel producers, to develop production facilities. To receive the grant, an eligible company must submit an application that includes information regarding its estimated export revenues.

Shandong Province's Special Fund for the Establishment of Key Enterprise Technology Centers

The purpose of the fund is to support the establishment of technical centers by key enterprises through providing funds for the purchase of equipment, training, technical cooperation, and communication. The legislation pursuant to which this program operates expressly limits access to the program to seven industrial chains and six pillar industries, including metallurgy.

Grants for Antidumping Investigations

Several sub-central governments, including Shandong Province, Rizhao City, and Nanjing City, all offer grants to companies that made export sales and cooperated in antidumping investigations.

Shandong Province's Award Fund for Industrialization of Key Energy-Saving Technology

The purpose of this program is to encourage reductions in energy consumption and to accelerate the industrialization of key energy-saving technologies in Shandong Province, because the GOC has directed all levels of the government to support industries with high energy consumption, such as steel, and target those sectors for saving energy and reducing energy consumption.

Shandong Province's Environmental Protection Industry R&D Funds
The purpose of this fund is to promote pollution-preventing technologies and environmental product development, and to strengthen the innovation capability and market competitiveness of the environmental protection industry in Shandong Province. The GOC has directed all levels of the government to support industries with high energy consumption, such as steel, and target those sectors for saving energy and reducing energy consumption.

Shandong Province's Construction Fund for Promotion of Key Industries
A program that provides construction funds to steel wire rod producers in Shandong Province.

Waste Water Treatment Subsidies
This grant program was offered by provincial governments to address the problem of waste water pollution.

Funds of Guangdong Province to Support the Adoption of E-Commerce by Foreign Trade Enterprises
Guangdong Province provides grants to support the adoption of e-commerce by foreign trade enterprises. The Commission of Economy and Information Technology of Guangdong Province administers this program, which consists of four separate funds: (1) special fund; (2) fund of provincial strategic new emerging industry; (3) special fund of internet services industry; and (4) special fund for small and medium-enterprises.

Technology to Improve Trade R&D Fund
The Jiangsu Treasury Department provides a special fund to companies in an effort to induce R&D activities related to export products. To receive this grant, a company must submit an application that includes information regarding its exports or potential exports.

Direct Government Grants to Hebei Iron & Steel
Hebei Iron & Steel's 2012 Annual Report indicates that the company receives numerous grants from the GOC.

Provision of Steel Billet for LTAR
Steel billet is almost exclusively produced and sold by SOEs, which receive extensive subsidies from the GOC. Thus, Chinese steel wire rod producers receive steel billet from SOEs for LTAR.

Provision of Electricity for LTAR
Steel wire rod producers receive electricity from the GOC for LTAR.

The Provision of Land-Use Rights to SOEs for LTAR
Chinese producers of steel wire rod are eligible to benefit from the government provision of land-use rights for LTAR in the form of granted rights to encouraged industries and allocated rights to SOEs.

Land-Use Rights Extension

The GOC issues land-use certificates to holders of land-use rights, which effectively extend their land-use rights by additional years without additional consideration. Land-use rights may be extended when a company purchases land-use rights from another entity or a business consolidation such as merger or acquisition takes place.

Income Tax Reductions Under Article 28 of the EIT

Enterprises that are designated as HNTEs are entitled to pay a reduced tax rate of 15 percent instead of the standard corporate tax rate of 25 percent, according to Article 28 of the EIT.

Tax Offsets for R&D Under the EIT

Article 30.1 of the EIT created a new program which allows enterprises to deduct research expenditures incurred in the development of new technologies, products, and processes.

The Two Free/Three Half Program for FIEs

Article 8 of the FIE Tax Law exempts FIEs that are profitable and scheduled to operate for not less than ten years from income tax in their first two profitable years, and allows such companies to pay only half of the applicable tax rate for the following three years.

Income Tax Reductions for Export-Oriented FIEs

FIEs may continue to pay half of its applicable income tax rate following the expiration of the "Two Free/Three Half Program" if exports constitute 70 percent of the company's sales. Additionally, export-oriented enterprises in specially-designated zones, already eligible to pay half the standard income tax rate, may receive a further rate reduction through this program.

Income Tax Benefits for FIEs Based on Geographic Locations

"Productive" FIEs located in a coastal economic development zone, special economic zone or economic technology development zone receive preferential tax rates of either 15 or 24 percent, as opposed to the standard 25 percent rate.

Local Income Tax Exemption and Reduction Programs for "Productive" FIEs

Local provinces can establish eligibility criteria and administer the application process for local income tax reductions or exemptions for FIEs, effectively extending the tax exemptions or reductions that are allowed to FIEs by the national "Two Free, Three Half program."

Tax Offsets for R&D by FIEs

The GOC encourages R&D by FIEs by allowing tax offsets that permit the actual R&D expenses incurred in China which have increased ten percent or more from the previous year to be offset by 150 percent from the taxable income of the year.

Tax Refunds for Reinvestment of FIE Profits in Export-Oriented Enterprises

FIEs that use profits to establish another FIE (or high technology company), or that reinvest those profits into the same FIE, can receive complete refunds of the corporate income tax already paid on the invested amount. The recipient of the investment must be export-oriented and scheduled to operate for at least five years to be eligible for the refund.

Preferential Tax Programs for FIEs Recognized as HNTEs
The GOC provides preferential tax benefits to enterprises with foreign investment that are recognized as HNTEs, and for enterprises that are established in high or new technology industrial development zones. These benefits include a reduced income tax rate of 15 percent.

Tax Benefits to Enterprises in the Northeast Region
Enterprises located in the Northeast Region (*i.e.*, Liaoning, Jilin and Heilongjiang provinces) may: (1) reduce the depreciation life of fixed assets by up to 40 percent for tax purposes, thereby increasing the annual amount of depreciation expense that may be deducted from the company's income tax; and (2) lessen the period of amortization of intangible assets by up to 40 percent for tax purposes, resulting in a larger annual tax deduction for amortization expense.

Forgiveness of Tax Arrears for Enterprises Located in the Old Industrial Bases of Northeast China
This program forgives all tax liabilities incurred prior to December 31, 1997, that have not been paid by enterprises located in the Liaoning, Jilin, and Heilongjiang provinces. The scope of the tax forgiveness includes surcharges for overdue tax payments, such as interest and penalties on the overdue taxes, and applies to both state-owned and private enterprises.

VAT and Import Duty Exemptions for Use of Imported Equipment
The GOC exempts FIEs and certain domestic enterprises in encouraged industries, such as iron and steel, from paying VAT and tariffs on imported equipment that is used in production, but not resold.

VAT Rebates on FIE Purchases of Chinese-Made Equipment
The GOC refunds the VAT on FIE purchases of certain domestically-produced equipment, such as equipment falling under the "Encouraged" and "Restricted B" categories listed in the Circular of the State Council Concerning the Adjustment in the Taxation Policy of Import Equipment, and equipment for projects listed in the *Current Catalogue of Key Industries, Products and Technologies the Development of Which Is Encouraged by the State*.

VAT and Tariff Exemptions for Purchases of Fixed Assets Under the Foreign Trade Development Fund Program
The GOC allows businesses in northeast China in the high-tech, equipment manufacturing, petrochemical, metallurgical, and selected other industries to deduct VAT for purchases of fixed assets from the VAT for sales of finished goods.

VII. FINAL RESULTS OF REVIEW

Commerce determines that revocation of the CVD order on wire rod from China would be likely to lead to the continuation or recurrence of countervailable subsidies at the rates listed below:

Producer/Exporter	*Ad Valorem* Subsidy Rate
Benxi Steel	193.31 percent
Hebei Iron & Steel	178.46 percent
All other producers and exporters	185.89 percent

VIII. RECOMMENDATION

Based on our analysis of the substantive response received, we recommend adopting all of the above positions. If these recommendations are accepted, we will publish these final results of this expedited sunset review in the *Federal Register*.

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Agree Disagree

3/24/2020

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Signed by: JEFFREY KESSLER

Jeffrey I. Kessler
Assistant Secretary
for Enforcement and Compliance