



C-351-833
2019 Sunset Review
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MEMORANDUM TO: P. Lee Smith
Deputy Assistant Secretary
for Policy and Negotiations
Enforcement and Compliance

FROM: Scot T. Fullerton
Director Office, VI
for Antidumping and Countervailing Duty Operations

SUBJECT: Issues and Decision Memorandum for the Final Results of the
Expedited Third Sunset Review of the Countervailing Duty Order
on Carbon and Certain Alloy Steel Wire Rod from Brazil

I. SUMMARY

We have analyzed the substantive response of domestic interested parties in the third sunset review of the countervailing duty (CVD) order covering carbon and certain alloy steel wire rod (wire rod) from Brazil.¹ We did not receive a response from the Government of Brazil (GOB), nor from any other interested party. Accordingly, we conducted an expedited (120-day) sunset review of the order 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). 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 October 22, 2002, the Department of Commerce (Commerce) published the CVD order on wire rod from Brazil.² On June 4, 2019, Commerce published the notice of initiation of the third sunset review of the *Order* on wire rod from Brazil pursuant to section 751(c) of the Tariff Act of 1930, as amended (the Act).³ Commerce received a notice of intent to participate from the

¹ See *Notice of Countervailing Duty Orders: Carbon and Certain Alloy Steel Wire Rod from Brazil and Canada*, 67 FR 64871 (October 22, 2002) (*Order*).

² See *Order*.

³ See *Initiation of Five-Year (Sunset) Review*, 84 FR 25741 (June 4, 2019).



following domestic parties: Nucor Corporation and Commercial Metals Company (collectively, domestic interested parties), within the deadline specified in 19 CFR 351.218(d)(1)(i).⁴ Each of the companies claimed interested party status under section 771(9)(C) of the Act, as a domestic producer of wire rod.

Commerce received an adequate substantive response from the domestic interested parties within the 30-day deadline specified in 19 CFR 351.218(d)(3)(i).⁵ We did not receive a substantive response from any other domestic or interested parties in this proceeding, nor was a hearing requested.

In accordance with section 751(c)(3)(B) of the Act and 19 CFR 351.218(e)(1)(ii)(C), because Commerce did not receive any substantive response from the GOB, pursuant to 19 CFR 351.218(e)(1)(ii)(B), or from a respondent party, pursuant to 19 CFR 351.218(e)(1)(ii)(C), we deem that the respondent interested parties did not provide an adequate response to the notice of initiation. On July 29, 2019, 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 has conducted an expedited (120-day) sunset review of the *Order* on wire rod from Brazil.

III. SCOPE OF THE ORDER

The merchandise subject to this order is certain hot-rolled products of carbon steel and alloy steel, in coils, of approximately round cross section, 5.00 mm or more, but less than 19.00 mm, in 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; and (e) concrete reinforcing bars and rods. Also excluded are (f) free machining steel products (*i.e.*, products that contain by weight one or more of the following elements: 0.03 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).

Also excluded from the scope are 1080 grade tire cord quality wire rod and 1080 grade tire bead quality wire rod. Grade 1080 tire cord quality rod is defined as: (i) grade 1080 tire cord quality wire rod measuring 5.0 mm or more but not more than 6.0 mm in cross-sectional diameter; (ii) with an average partial decarburization of no more than 70 microns in depth (maximum individual 200 microns); (iii) having no non-deformable inclusions greater than 20 microns and

⁴ See Domestic Interested Parties' Letter, "*Carbon and Certain Alloy Steel Wire Rod from Brazil: Notice of Intent to Participate in Review*," dated June 19, 2019 (in which they noted that Charter Steel, EVRAZ Rocky Mountain Steel, Liberty Steel USA, and Optimus Steel LLC also support the continuation of the order and are willing to participate in this sunset review).

⁵ See Domestic Interested Parties' Letter, "*Carbon and Certain Alloy Steel Wire Rod from Brazil: Notice of Intent to Participate in Review*," {sic} dated July 3, 2019 (Substantive Response).

⁶ See Commerce's Letter, "Sunset Reviews Initiated on June 1, 2019," dated July 29, 2019.

no deformable inclusions greater than 35 microns; (iv) having a carbon segregation per heat average of 3.0 or better using European Method NFA 04-114; (v) having a surface quality with no surface defects of a length greater than 0.15 mm; (vi) capable of being drawn to a diameter of 0.30 mm or less with 3 or fewer breaks per ton, and (vii) containing by weight the following elements in the proportions shown: (1) 0.78 percent or more of carbon, (2) less than 0.01 percent of aluminum, (3) 0.040 percent or less, in the aggregate, of phosphorus and sulfur, (4) 0.006 percent or less of nitrogen, and (5) not more than 0.15 percent, in the aggregate, of copper, nickel and chromium.

Grade 1080 tire bead quality rod is defined as: (i) grade 1080 tire bead quality wire rod measuring 5.5 mm or more but not more than 7.0 mm in cross-sectional diameter; (ii) with an average partial decarburization of no more than 70 microns in depth (maximum individual 200 microns); (iii) having no non-deformable inclusions greater than 20 microns and no deformable inclusions greater than 35 microns; (iv) having a carbon segregation per heat average of 3.0 or better using European Method NFA 04-114; (v) having a surface quality with no surface defects of a length greater than 0.2 mm; (vi) capable of being drawn to a diameter of 0.78 mm or larger with 0.5 or fewer breaks per ton; and (vii) containing by weight the following elements in the proportions shown: (1) 0.78 percent or more of carbon, (2) less than 0.01 percent of soluble aluminum, (3) 0.040 percent or less, in the aggregate, of phosphorus and sulfur, (4) 0.008 percent or less of nitrogen, and (5) either not more than 0.15 percent, in the aggregate, of copper, nickel and chromium (if chromium is not specified), or not more than 0.10 percent in the aggregate of copper and nickel and a chromium content of 0.24 to 0.30 percent (if chromium is specified).

For purposes of grade 1080 tire cord quality wire rod and grade 1080 tire bead quality wire rod, an inclusion will be considered to be deformable if its ratio of length (measured along the axis - that is, the direction of rolling - of the rod) over thickness (measured on the same inclusion in a direction perpendicular to the axis of the rod) is equal to or greater than three. The size of an inclusion for purposes of the 20 microns and 35 microns limitations is the measurement of the largest dimension observed on a longitudinal section measured in a direction perpendicular to the axis of the rod. This measurement methodology applies only to inclusions on certain grade 1080 tire cord quality wire rod and certain grade 1080 tire bead quality wire rod that are entered, or withdrawn from warehouse, for consumption on or after July 24, 2003.

The designation of the products as “tire cord quality” or “tire bead quality” indicates the acceptability of the product for use in the production of tire cord, tire bead, or wire for use in other rubber reinforcement applications such as hose wire. These quality designations are presumed to indicate that these products are being used in tire cord, tire bead, and other rubber reinforcement applications, and such merchandise intended for the tire cord, tire bead, or other rubber reinforcement applications is not included in the scope. However, should petitioners or other interested parties provide a reasonable basis to believe or suspect that there exists a pattern of importation of such products for other than those applications, end-use certification for the importation of such products may be required. Under such circumstances, only the importers of record would normally be required to certify the end use of the imported merchandise.

All products meeting the physical description of subject merchandise that are not specifically excluded are included in this scope.

The products under this order are currently classifiable under subheadings 7213.91.3000, 7213.91.3010, 7213.91.3011, 7213.91.3015, 7213.91.3020, 7213.91.3090, 7213.91.3091, 7213.91.3092, 7213.91.3093, 7213.91.4500, 7213.91.4510, 7213.91.4590, 7213.91.6000, 7213.91.6010, 7213.91.6090, 7213.99.0030, 7213.99.0031, 7213.99.0038, 7213.99.0090, 7227.20.0000, 7227.20.0010, 7227.20.0020, 7227.20.0030, 7227.20.0080, 7227.20.0090, 7227.20.0095, 7227.90.6010, 7227.90.6020, 7227.90.6050, 7227.90.6051, 7227.90.6053, 7227.90.6058, 7227.90.6059, 7227.90.6080, and 7227.90.6080 of the HTSUS. Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of this order is dispositive.

IV. HISTORY OF THE ORDER

On August 30, 2002, Commerce published its *Final Determination* in the CVD investigation of wire rod from Brazil.⁷ On September 27, 2002, the Department published its *Amended Final Determination*.⁸

The following seven programs were found to confer countervailable subsidies in the investigation:

1. Financing for the Acquisition or Lease of Machinery and Equipment through the Special Agency for Industrial Financing;
2. Programa de Financiamento as Exportacoes;
3. Tax Incentives Provided by the Amazon Region Development Authority (SUDAM) and the Northeast Region Development Authority (SUDENE);
4. Debt Forgiveness/Equity Infusions Provided to Usina Siderurgica da Bahia S.A. (previously 1988 Equity Infusions/Debt Forgiveness Provided to Usina Siderurgica da Bahia S.A.) (specific to Gerdau S.A. (Gerdau));
5. National Bank for Economic and Social Development Financing for the Acquisition of Dedini Siderurgica de Piracicaba (specific to Companhia Siderurgica Belgo-Mineira (Belgo Mineira));
6. National Bank for Economic and Social Development Financing for the Acquisition of Mendes Junior Siderurgica S.A. (specific to Belgo Mineira); and
7. “Presumed” Tax Credit for the Program of Social Integration and the Social Contributions of Billings on Inputs Used in Exports.

Commerce also determined in the investigation that three programs were not countervailable, four programs were not used by the companies under investigation, one program had been terminated, and one program did not exist. For two programs, no determination was made. The

⁷ See *Final Affirmative Countervailing Duty Determination and Final Negative Critical Circumstances Determination: Carbon and Certain Alloy Steel Wire Rod from Brazil*, 67 FR 55805 (August 30, 2002) (*Final Determination*) and accompanying Issues and Decision Memorandum.

⁸ See *Notice of Amended Final Affirmative Countervailing Duty Determination: Carbon and Certain Alloy Steel Wire Rod from Brazil*, 67 FR 61071 (September 27, 2002) (*Amended Final Determination*).

list below identifies manufacturers, producers, and/or exporters, and the net subsidies determined by Commerce in the original investigation.

Manufacturers/Producers/Exporters	Net Countervailable Subsidy (percent)
Companhia Siderugica Belgo-Mineira (Belgo Mineira)	6.74
Gerdau S.A.	2.76
All Others	5.64

Following notification of an affirmative injury determination by the U.S. International Trade Commission (ITC), on October 22, 2002, Commerce published the *Order* in the *Federal Register*.⁹

In its final results of changed circumstances review, Commerce amended the technical description so that certain grade 1080 tire cord quality steel wire rod and grade 1080 tire bead quality steel wire rod “having no non-deformable inclusions greater than 20 microns and no deformable inclusions greater than 35 microns” rather than just those “having no inclusions greater than 20 microns” were revoked from the *Order* effective July 24, 2003.¹⁰

On May 9, 2005, Commerce issued a final scope ruling and determined that for grade 1080 tire cord quality wire rod and tire bead quality wire rod, the phrase, “having no inclusions greater than 20 microns” means no inclusions greater than 20 microns in any direction.¹¹

On July 3, 2014, at the conclusion of the second sunset review, Commerce issued a notice of continuation of the *Order*.¹² Commerce has not conducted any administrative reviews of the *Order*.

V. LEGAL FRAMEWORK

In accordance with section 751(c)(1) of the Act, Commerce is conducting 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, as 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

⁹ See *Order*.

¹⁰ See *Carbon and Certain Alloy Steel Wire Rod from Brazil, Canada, Indonesia, Mexico, Moldova, Trinidad and Tobago, and Ukraine: Final Results of Changed Circumstances Review*, 68 FR 64079 (November 12, 2003).

¹¹ See *Notice of Scope Rulings*, 70 FR 55110 (September 20, 2005).

¹² See *Carbon and Certain Alloy Steel Wire Rod from Brazil, Indonesia, Mexico, Moldova, and Trinidad and Tobago: Continuation of Antidumping and Countervailing Duty Orders*, 79 FR 38008 (July 3, 2014).

World Trade Organization Agreement on Subsidies and Countervailing Measures (SCM Agreement).

VI. DISCUSSION OF THE ISSUES

Below we address the substantive response of the domestic interested parties.

1. Likelihood of Continuation or Recurrence of a Countervailable Subsidy

Domestic Interested Parties' Comments¹³

The domestic interested parties argue that, just as in the first and second sunset reviews, Commerce should determine that revocation of the CVD *Order* would likely lead to a recurrence of countervailable subsidies to Brazilian producers and exporters of subject merchandise. As support, they note that, in the absence of an administrative review, there is no record evidence that any of the relevant subsidy programs from the investigation have been discontinued, modified, or eliminated.

In addition, the domestic interested parties note that the significant decline in imports is a direct result of the efficacy of the *Order*. They claim that absent the *Order*, subsidized imports from Brazil would likely increase significantly in volume.

In conclusion, the domestic interested parties argue that Commerce should find that Brazilian producers/exporters are likely to receive continued subsidies if the *Order* is revoked.

Commerce's Position

As stated *supra*, 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 Statement of Administrative Action accompanying the Uruguay Round Agreements Act, 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.¹⁴ The SAA further states that continuation of a program will be highly probative of the likelihood of continuation or recurrence of countervailable subsidies.¹⁵ 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.¹⁶ Where a subsidy program is found to exist, Commerce

¹³ See Substantive Response at 12-16.

¹⁴ See Statement of Administrative Action accompanying the Uruguay Round Agreements Act, H.R. Doc. 103-316, Vol. I (SAA), at 888 (1994), reprinted at 1994 U.S.C.C.A.N. 4040, 4199.

¹⁵ *Id.*

¹⁶ 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 Issues and Decision Memorandum (IDM) at Comment 1.

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.¹⁷

In the investigation, Commerce found that countervailable subsidies were being provided to Brazilian exporters and producers of wire rod under the programs listed *supra*. As indicated above, Commerce has not conducted an administrative review of the *Order*. Further, 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 Likely to Prevail

Domestic Interested Party Comments¹⁸

The domestic interested parties cite to the SAA and Policy Bulletin to argue that the subsidy rate in most cases should be the company-specific final subsidy rate from the original investigation because it is the only subsidy rate that best reflects the behavior of the respondents free of the constraints of a countervailing duty order. Accordingly, they argue that Commerce should rely upon the net margins of subsidization from the original investigation as modified in the second sunset review.

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 producers, it is the only calculated rate that reflects the behavior of exporters and foreign governments without the discipline of an order in place.¹⁹

Section 752(b)(1)(B) of the Act, however, 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. Therefore, a rate calculated in the investigation may not be the most appropriate if, for example, the rate was derived, in whole or part, from subsidy programs subsequently found to be terminated, there has been a program-wide change, or the rate ignores a program found to be countervailable in a subsequent administrative review.²⁰

¹⁷ *Id.*

¹⁸ See Substantive Response at 16-18.

¹⁹ See SAA at 890 and the House Report, H.R. Rep. No. 103-826 (1994) (House Report) at 64.

²⁰ See *Stainless Steel Sheet and Strip in Coils from the Republic of Korea: Final Results of Expedited Second Sunset Review*, 75 FR 62101 (October 7, 2010) and accompanying IDM at 4.

In this sunset review, absent an administrative review or evidence to demonstrate that these countervailable programs have expired or been terminated, Commerce determines the company-specific countervailable subsidy rates likely to prevail based on 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.

In the instant review, there are three programs that fall under Article 3.1 of the SCM Agreement, which states that the following subsidies shall be prohibited: (a) subsidies contingent, in law or in fact, whether solely or as one of several other conditions, upon export performance; and (b) subsidies contingent, whether solely or as one of several other conditions, upon the use of domestic over imported goods.

1) Programa de Financiamento as Exportacoes

The PROEX program is administered by the Banco do Brasil. PROEX funding is available to Brazilian companies involved in exporting only. PROEX funds are available in two forms:

- (1) PROEX Financing, which involves the direct financing of a company’s exports, and
- (2) PROEX Equalization, which reimburses certain interest costs to Brazilian exporters.

2) “Presumed” Tax Credit for the Program of Social Integration and the Social Contributions of Billings on Inputs Used in Exports

In 1996, through Law 9363, the GOB established the PIS and COFINS tax credit program to provide a rebate of PIS and COFINS contributions assessed on the purchase of raw materials, intermediate products, and packing materials used in the production of exports. The PIS and COFINS “presumed” tax credit was established to prevent the cascading effect of these taxes which accrue at each point in the chain of production. A company calculates its own PIS and COFINS credit, on a monthly basis, using a standard formula established by Law 9363, and claims the credit by making deductions from the Industrial Products Tax due.

3) Financing for the Acquisition or Lease of Machinery and Equipment through the Special Agency for Industrial Financing

The FINAME program, which is administered through BNDES and agent banks throughout Brazil, was established in 1966 by Decree No. 59.170 of September 2, 1966,

and Decree/Law No. 45 of November 18, 1966. FINAME loans provide capital financing to companies located in Brazil for the acquisition or leasing of new machinery and equipment. Although financing is available for both machinery manufactured in Brazil and non-domestic machinery, almost all FINAME financing is provided for new machinery and equipment manufactured in Brazil. FINAME financing is available for non-Brazilian machinery only when domestically-manufactured machinery is unavailable. FINAME financing for leasing of equipment or machinery is only available for domestic equipment. Under the terms of this program, FINAME loans may be used to finance no more than 80 percent of the purchase price of the machinery.

The programs listed below do not fall within the meaning of Article 3.1 of the SCM Agreement, but they could be subsidies described in Article 6.1 of the SCM Agreement, if the amount of the subsidy exceeds five percent, as measured in accordance with Annex IV of the SCM Agreement. The subsidies could also fall within the meaning of Article 6.1 if they constitute debt forgiveness, grants to cover debt repayment, or subsidies to cover operating losses sustained by an industry or enterprise. However, there is insufficient information on the record of this review for Commerce to make such a determination. Nevertheless, we are providing the ITC with the following program descriptions.

- 1) Tax Incentives Provided by the Amazon Region Development Authority (SUDAM) and the Northeast Region Development Authority (SUDENE)

The SUDENE program was created under Law No. 3692 to promote the development of the Northeast Region of Brazil. The SUDAM program is a similar program that promotes the development of the Amazonia Region of Brazil. Both programs are administered by the Brazilian federal government, and are linked to the Ministry of National Integration. Under these programs, companies can receive either a partial or complete tax exemption from the Brazilian corporate income tax, which is assessed at a rate of 25 percent. The tax exemption applies only to income from facilities operating in the designated regions. Both programs allow companies a 100 percent exemption if the company: (1) makes an initial investment in the region involved; (2) increases capacity in the applicable region; or (3) modernizes its facilities in the specific region. If a company does not meet these three criteria, it is permitted to exempt 37.5 percent of its income from facilities operating in that region from taxation.

- 2) Debt Forgiveness/Equity Infusions Provided to Usina Siderurgica da Bahia S.A. (previously 1988 Equity Infusions/Debt Forgiveness Provided to Usina Siderurgica da Bahia S.A.)

Prior to 1989, Usiba was owned by Siderurgica Brasileira S.A.- SIDERBRAS (SIDERBRAS), the Brazilian government entity responsible for all state-owned steel companies. As part of the first phase of Brazilian privatizations carried out under the auspices of Decree 95.886, SIDERBRAS, through BNDES Participacoes S.A.- BNDESPAR (BNDES), sold Usiba to Gerdau in a privatization auction in October 1989.

In order to restructure Usiba and to restore its operational viability, as well as to prepare Usiba for privatization, SIDERBRAS made several investments in the company. First, in

1988, SIDERBRAS restructured some Usiba debt in a debt-for-equity swap. As part of this arrangement, according to Usiba's 1988 Financial Statement, SIDERBRAS "cleans{ed}" past due debt of 58,888,558,000 Cruzados in exchange for increased equity in Usiba. In addition to this debt restructuring, SIDERBRAS also made equity infusions into Usiba of 101,243,000 Cruzados in 1986; 13,182,699,000 Cruzados in 1987; and 8,204,000 Cruzados in 1989.

3) National Bank for Economic and Social Development Financing for the Acquisition of Dedini Siderurgica de Piracicaba

Until 1997, Belgo Mineira was involved in a partnership with the Dedini Group, a consortium of companies with operations in numerous sectors, through Belgo Mineira's 49 percent ownership of the Dedini Group's steel operations. Due to economic problems, the Dedini Group decided to restructure its operations and sell some of its assets, including its steel operations.

After several rounds of negotiations between Belgo Mineira and Dedini, Belgo Mineira agreed to take over certain of Dedini's debts as recorded in Dedini's books, including debt owed to BNDES and another government creditor, in exchange for the remaining 51 percent of the Dedini Group's steel operations and three Dedini properties. Once Belgo Mineira and Dedini reached an agreement on this issue, the two companies approached the creditors involved, including BNDES, to receive approval in order to complete the transactions. In giving its approval in late 1997, BNDES agreed that Belgo Mineira would assume the amount of the Dedini debt agreed upon by Belgo Mineira and Dedini, and that BNDES would write off any remaining debt in its books as a loss. Separate negotiations took place between Belgo Mineira and the other government creditor to which Dedini was indebted.

4) National Bank for Economic and Social Development Financing for the Acquisition of Mendes Junior Siderurgica (MJS) S.A.

MJS operated a steel mill in the state of Minas Gerais. In 1995, because MJS could no longer service its existing debt obligations, it entered into negotiations with Belgo Mineira. MJS and Belgo Mineira reached an agreement in which Belgo Mineira would lease MJS' facility in the state of Minas Gerais. In 1998, Belgo Mineira negotiated an agreement with BNDES in which BNDES transferred MJS' outstanding debt, exclusive of any late fees and penalties, to Belgo Mineira in exchange for R\$98 million in debentures and certain other rights, the details of which are proprietary. At the time of the BNDES negotiation, MJS' debt was categorized by BNDES as a non-performing loan and any outstanding late fees and penalties in excess of the original debt amount were written off by BNDES.

The debentures issued by Belgo Mineira to BNDES in this transaction are for a term of 12 years and pay the Brazilian Long Term Interest Rate (TJLP) plus three percent (the TJLP is the Brazilian long-term interest rate, a rate set periodically by the Brazilian Central Bank). Furthermore, the agreement between BNDES and Belgo Mineira was

structured such that, if Belgo Mineira had reached agreement with other creditors of MJS on terms more favorable than those in the BNDES-Belgo Mineira agreement, then Belgo Mineira would compensate BNDES in the amount of the difference.

VII. FINAL RESULTS OF REVIEW

Commerce determines that revocation of the *Order* would be likely to lead to the continuation or recurrence of countervailable subsidies at the rates listed below:

Manufacturers/Producers/Exporters	Net Countervailable Subsidy (percent)
Companhia Siderugica Belgo-Mineira (Belgo Mineira)	6.74
Gerda S.A.	2.76
All Others	4.53

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*.



Agree

Disagree

10/2/2019

X



Signed by: PRENTISS SMITH

P. Lee Smith

Deputy Assistant Secretary
for Policy and Negotiations
Enforcement and Compliance