

**DEPARTMENT OF COMMERCE**

**International Trade Administration**

[C-570-976]

**Galvanized Steel Wire From the People's Republic of China: Initiation of Countervailing Duty Investigation**

**AGENCY:** Import Administration, International Trade Administration, Department of Commerce.

**DATES:** *Effective Date:* April 27, 2011.

**FOR FURTHER INFORMATION CONTACT:** Nicholas Czajkowski or David Lindgren, AD/CVD Operations, Office 6, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street, and Constitution Avenue, NW., Washington, DC 20230; telephone: (202) 482-1395 or (202) 482-3870, respectively.

**SUPPLEMENTARY INFORMATION:**

**The Petition**

On March 31, 2011, the Department of Commerce (the Department) received a countervailing duty (CVD) petition concerning imports of galvanized steel wire from the People's Republic of China (PRC) filed in proper form by Davis Wire Corporation, Johnstown Wire Technologies, Inc., Mid-South Wire Company, Inc., National Standard, LLC, and Oklahoma Steel & Wire Company, Inc. (Petitioners), domestic producers of galvanized steel wire. See "Petition for the Imposition of Countervailing Duties on Galvanized Steel Wire from the People's Republic of China" (CVD Petition). On April 6, 2011, the Department requested additional information and clarification of certain areas of the CVD Petition involving the subsidy allegations. On the same day we issued a separate set of requests for information regarding the scope, industry support, and injury sections of the CVD Petition and the accompanying antidumping petitions for Mexico and the PRC. Petitioners filed timely, separate responses to these questionnaires on April 11, 2011 (First Supplement to the CVD Petition and Supplement to the AD/CVD Petitions, respectively). On April 12, 2011, the Department issued a second set of questions regarding general issues, injury information and antidumping-specific topics. On April 14, 2011, Petitioners filed timely responses to the April 12, 2011 questionnaires (Second Supplement to the AD/CVD Petitions). On April 12, 2011, the Department requested additional information regarding the CVD Petition. See Memo to the File from Mark E. Hoadley, Program Manager, AD/CVD Operations,

Office 6, Import Administration  
“Telephone Conversation with Counsel  
for Petitioners: Countervailing Duty  
Investigation on Galvanized Steel Wire  
from the People’s Republic of China,”  
dated April 12, 2011. On April 15, 2011,  
Petitioners filed timely responses to the  
April 12, 2011 request (Second  
Supplement to the CVD Petition). In  
addition Petitioners provided the  
Department with an additional required  
certification on April 15, 2011. See  
Certification Letter filed April 15, 2011.

In accordance with section 702(b)(1)  
of the Tariff Act of 1930, as amended  
(the Act), Petitioners allege that  
producers/exporters of galvanized steel  
wire in the PRC received  
countervailable subsidies within the  
meaning of sections 701 and 771(5) of  
the Act, and that imports from these  
producers/exporters materially injure,  
or threaten material injury to, an  
industry in the United States.

The Department finds that Petitioners  
filed the CVD Petition on behalf of the  
domestic industry because they are an  
interested party as defined in section  
771(9)(C) of the Act and the Petitioners  
have demonstrated sufficient industry  
support with respect to the CVD  
investigation that they are requesting  
the Department initiate (see  
“Determination of Industry Support for  
the Petition” below).

#### Period of Investigation

The period of investigation (POI) is  
calendar year 2010, i.e., January 1, 2010,  
through December 31, 2010. See 19 CFR  
351.204(b)(2).

#### Scope of Investigation

The products covered by this  
investigation are galvanized steel wire  
from the PRC. For a full description of  
the scope of the investigation, please see  
the “Scope of the Investigation,”  
Appendix to this notice.

#### Comments on Scope of Investigation

During our review of the CVD  
Petition, we discussed the scope with  
Petitioners to ensure that it is an  
accurate reflection of the products for  
which the domestic industry is seeking  
relief. Moreover, as discussed in the  
preamble to the regulations  
(*Antidumping Duties; Countervailing  
Duties; Final Rule*, 62 FR 27296, 27323  
(May 19, 1997)), we are setting aside a  
period for interested parties to raise  
issues regarding product coverage. The  
Department encourages all interested  
parties to submit such comments by  
May 10, 2011, twenty calendar days  
from the signature date of this notice.  
All comments must be filed on the  
records of the China and Mexico

antidumping duty investigations as well  
as the China countervailing duty  
investigation. Comments should be  
addressed to Import Administration’s  
APO/Dockets Unit, Room 1870, U.S.  
Department of Commerce, 14th Street  
and Constitution Avenue, NW.,  
Washington, DC 20230. The period of  
scope consultations is intended to  
provide the Department with ample  
opportunity to consider all comments  
and to consult with parties prior to the  
issuance of the preliminary  
determinations.

#### Consultations

Pursuant to section 702(b)(4)(A)(ii) of  
the Act, the Department held  
consultations with the Government of  
the PRC (GOC) with respect to the CVD  
Petition on April 14, 2011. See  
Memorandum to the File, dated April  
15, 2011, “Consultations with Officials  
from the Government of the People’s  
Republic of China on the Countervailing  
Duty Petitions regarding Steel Wheels  
and Galvanized Steel Wire” a public  
document on file in the Central Records  
Unit (CRU), Room 7046 of the main  
Department of Commerce building.

#### Determination of Industry Support for the Petition

Section 702(b)(1) of the Act requires  
that a petition be filed on behalf of the  
domestic industry. Section 702(c)(4)(A)  
of the Act provides that a petition meets  
this requirement if the domestic  
producers or workers who support the  
petition account for: (i) At least 25  
percent of the total production of the  
domestic like product; and (ii) more  
than 50 percent of the production of the  
domestic like product produced by that  
portion of the industry expressing  
support for, or opposition to, the  
petition. Moreover, section 702(c)(4)(D)  
of the Act provides that, if the petition  
does not establish support of domestic  
producers or workers accounting for  
more than 50 percent of the total  
production of the domestic like product,  
the Department shall: (i) Poll the  
industry or rely on other information in  
order to determine if there is support for  
the petition, as required by  
subparagraph (A), or (ii) determine  
industry support using a statistically  
valid sampling method to poll the  
“industry.”

Section 771(4)(A) of the Act defines  
the “industry” as the producers as a  
whole of a domestic like product. Thus,  
to determine whether a petition has the  
 requisite industry support, the statute  
directs the Department to look to  
producers and workers who produce the  
domestic like product. The International  
Trade Commission (ITC), which is

responsible for determining whether  
“the domestic industry” has been  
injured, must also determine what  
constitutes a domestic like product in  
order to define the industry. While both  
the Department and the ITC must apply  
the same statutory definition regarding  
the domestic like product (section  
771(10) of the Act), they do so for  
different purposes and pursuant to a  
separate and distinct authority. In  
addition, the Department’s  
determination is subject to limitations of  
time and information. Although this  
may result in different definitions of the  
like product, such differences do not  
render the decision of either agency  
contrary to law. See *USEC, Inc. v.  
United States*, 132 F. Supp. 2d 1, 8 (Ct.  
Int’l Trade 2001), *citing Algoma Steel  
Corp., Ltd. v. United States*, 688 F.  
Supp. 639, 644 (Ct. Int’l Trade 1988),  
*aff’d* 865 F.2d 240 (Fed. Cir. 1989), *cert.  
denied* 492 U.S. 919 (1989).

Section 771(10) of the Act defines the  
domestic like product as “a product  
which is like, or in the absence of like,  
most similar in characteristics and uses  
with, the article subject to an  
investigation under this title.” Thus, the  
reference point from which the  
domestic like product analysis begins is  
“the article subject to an investigation”  
(i.e., the class or kind of merchandise to  
be investigated, which normally will be  
the scope as defined in the petition).

With regard to the domestic like  
product, Petitioners do not offer a  
definition of domestic like product  
distinct from the scope of the  
investigation. Based on our analysis of  
the information submitted on the  
record, we have determined that  
galvanized steel wire constitutes a  
single domestic like product and we  
have analyzed industry support in terms  
of that domestic like product. For a  
discussion of the domestic like product  
analysis in this case, see “Countervailing  
Duty Investigation Initiation Checklist:  
Galvanized Steel Wire from the People’s  
Republic of China” (CVD Initiation  
Checklist), at Attachment II, “Analysis  
of Industry Support for the Petitions  
Covering Galvanized Steel Wire from  
the People’s Republic of China,” on file  
in the Central Records Unit (CRU),  
Room 7046 of the main Department of  
Commerce building.

In determining whether Petitioners  
have standing under section  
702(c)(4)(A) of the Act, we considered  
the industry support data contained in  
the CVD Petition with reference to the  
domestic like product as defined in the  
“Scope of the Investigation” Appendix  
to this notice. To establish industry  
support, Petitioners provided their own  
2010 production of the domestic like

product, and compared this to the estimated total production of the domestic like product for the entire domestic industry. See Volume I of the Petitions, at I-3 through I-5, and Exhibits I-1 through I-5; Supplement to the AD/CVD Petitions, dated April 11, 2011, at 1, 7 and Exhibit Supp-I-7; Second Supplement to the AD/CVD Petitions, dated April 14, 2011, at 2, and Exhibit 2; and Second Revised Exhibit I-1; *see also* CVD Initiation Checklist at Attachment II.

On April 14, 2011, we received an industry support challenge from a Mexican producer of galvanized steel wire and its U.S. affiliate. See Letter from Deacero, titled "Galvanized Steel Wire from Mexico—Comments on Industry Support," dated April 14, 2011.<sup>1</sup> This submission was placed on the record of the CVD Petition on April 18, 2011. See Letter from Petitioners, titled "Petitioners' Response to Question about U.S. industry," dated April 18, 2011. Petitioner responded to this submission on April 18, 2011. Our review of the data provided in the CVD Petition, supplemental submissions, and other information readily available to the Department indicates that Petitioners have established industry support. See CVD Initiation Checklist at Attachment II. First, the CVD Petition established support from domestic producers (or workers) accounting for more than 50 percent of the total production of the domestic like product and, as such, the Department is not required to take further action in order to evaluate industry support (*e.g.*, polling). See section 702(c)(4)(D) of the Act; *see also* CVD Initiation Checklist at Attachment II. Second, the domestic producers (or workers) have met the statutory criteria for industry support under section 702(c)(4)(A)(i) of the Act because the domestic producers (or workers) who support the CVD Petition account for at least 25 percent of the total production of the domestic like product. See CVD Initiation Checklist at Attachment II. Finally, the domestic producers (or workers) have met the statutory criteria for industry support under section 702(c)(4)(A)(ii) of the Act because the domestic producers (or workers) who support the CVD Petition account for more than 50 percent of the

<sup>1</sup> On April 18, 2011, the Department placed Deacero's filing on the records of the AD and CVD petitions concerning the PRC. See Memorandum to the File from Norbert Gannon, Office of Policy, entitled, Petitions for the Imposition of Antidumping Duties on Imports of Galvanized Steel Wire from the People's Republic of China (the PRC) and Mexico and Countervailing Duties on Imports of Galvanized Steel Wire from the PRC—Deacero S.A. de C.V.'s April 14, 2011, Letter to the Department of Commerce.

production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the CVD Petition. Accordingly, the Department determines that the CVD Petition was filed on behalf of the domestic industry within the meaning of section 702(b)(1) of the Act. See CVD Initiation Checklist at Attachment II.

The Department finds that Petitioners filed the CVD Petition on behalf of the domestic industry because they are an interested party as defined in sections 771(9)(C) of the Act and have demonstrated sufficient industry support with respect to the CVD investigation that they are requesting the Department initiate. See CVD Initiation Checklist at Attachment II.

### Injury Test

Because the PRC is a "Subsidies Agreement Country" within the meaning of section 701(b) of the Act, section 701(a)(2) of the Act applies to this investigation. Accordingly, the ITC must determine whether imports of subject merchandise from the PRC materially injure, or threaten material injury to, a U.S. industry.

### Allegations and Evidence of Material Injury and Causation

Petitioners allege that imports of galvanized steel wire from the PRC are benefitting from countervailable subsidies and that such imports are causing, or threatening to cause, material injury to the domestic industry producing galvanized steel wire. In addition, Petitioners allege that subsidized imports exceed the negligibility threshold provided for under section 771(24)(A) of the Act.

Petitioners contend that the industry's injured condition is illustrated by reduced market share, lost sales and revenues, reduced production, reduced shipments, reduced capacity utilization rate, underselling and price depression and suppression, reduced workforce, decline in financial performance, and an increase in import penetration. We have assessed the allegations and supporting evidence regarding material injury, threat of material injury, and causation, and we have determined that these allegations are properly supported by adequate evidence and meet the statutory requirements for initiation. See CVD Initiation Checklist at Attachment III.

### Initiation of Countervailing Duty Investigation

Section 702(b)(1) of the Act requires the Department to initiate a CVD proceeding whenever an interested party files a CVD petition on behalf of

an industry that: (1) Alleges the elements necessary for an imposition of a duty under section 701(a) of the Act; and (2) is accompanied by information reasonably available to the petitioners supporting the allegations.

The Department has examined the CVD Petition on galvanized steel wire from the PRC and finds that it complies with the requirements of section 702(b)(1) of the Act. Therefore, in accordance with section 702(b)(1) of the Act, we are initiating a CVD investigation to determine whether producers/exporters of galvanized steel wire in the PRC receive countervailable subsidies. For a discussion of evidence supporting our initiation determination, *see* CVD Initiation Checklist.

We are including in our investigation the following programs alleged in the CVD Petition to provide countervailable subsidies to producers/exporters of the subject merchandise.

#### A. Preferential Loans and Interest Rates

1. Policy Loans to the Galvanized Steel Wire Industry
2. Preferential Loans for Key Projects and Technologies
3. Preferential Loans and Directed Credit
4. Preferential Lending to GSW Producers and Exporters Classified as "Honorable Enterprises"
5. Loans and Interest Subsidies Provided Pursuant to the Northeast Revitalization Program

#### B. Government Provision of Inputs for Less than Adequate Remuneration (LTAR)

1. Provision of Wire Rod for LTAR
2. Provision of Zinc for LTAR
3. Provision of Land Use Rights for LTAR
  - a. Provision of Land Use Rights for LTAR within the Jinzhou District within the City of Dalian
  - b. Provision of Land Use Rights for LTAR to Enterprises within the Zhaoqing High-Tech Industry Development Zone in Guangdong Province
  - c. Provision of Land Use Rights for LTAR to Enterprises within the South Sanshui Science and Technology Industrial Park of Foshan City
4. Provision of Electricity for LTAR

#### C. Income and Other Direct Taxes

1. Income Tax Credits for Domestically-Owned Companies Purchasing Domestically-Produced Equipment
2. Income Tax Exemption for Investment in Domestic Technological Renovation

3. Accelerated Depreciation for Enterprises Located in the Northeast Region

4. Forgiveness of Tax Arrears for Enterprises in the Old Industrial Bases of Northeast China

5. Income Tax Exemption for Investors in Designated Geographical Regions within Liaoning Province

*D. Indirect Tax and Tariff Exemption Programs*

1. VAT Deduction on Fixed Assets

2. Export Subsidies Characterized as "VAT Rebates"

3. Import Tariff and VAT Exemptions for Foreign Invested Enterprises and Certain Domestic Enterprises Using Imported Equipment in Encouraged Industries

4. Reduction in or Exemption from Fixed Assets Investment Orientation Regulatory Tax

*E. Grant Programs*

1. "Five Points, One Line" Program of Liaoning Province

2. Provincial Export Interest Subsidies

3. State Key Technology Project Fund

4. Export Assistance Grants

5. Subsidies for Development of Famous Export Brands and China World Top Brands

6. Sub-Central Government Programs to Promote Famous Export Brands and China World Top Brands

7. Zhejiang Province Program to Rebate Antidumping Legal Fees

8. Technology to Improve Trade Research and Development Fund of Jiangsu Province

9. Outstanding Growth Private Enterprise and Small and Medium-Sized Enterprises Development in Jiangyin Fund of Jiangyin City

10. Grants for Programs Under the 2007 Science and Technology Development Plan in Shandong Province

11. Special Funds for Encouraging Foreign Economic and Trade Development and for Drawing Significant Foreign Investment Projects in Shandong Province

*F. Preferential Tax Subsidies for FIEs*

1. "Two Free, Three Half" Tax Exemptions for "Productive" FIEs

2. Income Tax Exemption Program for Export-Oriented FIEs

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

4. Preferential Tax Programs for FIEs Recognized as High or New Technology Enterprises

5. Income Tax Subsidies for FIEs Based on Geographic Location

6. VAT Refunds for FIEs Purchasing Domestically-Produced Equipment

7. Income Tax Credits for FIEs Purchasing Domestically-Produced Equipment

8. Exemption from City Construction Tax and Education Fee for FIEs

For a description of each of these programs and a full discussion of the Department's decision to initiate an investigation of these programs, see CVD Initiation Checklist.

We are not including in our investigation the following programs alleged to benefit producers/exporters of the subject merchandise in the PRC.

1. Export Loans from Policy Banks and State-Owned Commercial Banks (SOCBs)

2. Government Restraints on Exports of Raw Materials: Wire Rod

3. Government Restraints on Exports of Raw Materials: Zinc

4. Tax Reduction for Enterprises Making Little Profit

5. Provincial Fund for Fiscal and Technological Innovation

6. International Market Exploration Fund (SME Fund)

7. Funds for Water Treatment and Pollution Control Projects for the Three Rivers and Three Lakes in Shandong Province

8. Undervaluation of Chinese Currency

For further information explaining why the Department is not initiating an investigation of these programs, see CVD Initiation Checklist.

**Respondent Selection**

For this investigation, the Department intends to select respondents based on U.S. Customs and Border Protection (CBP) data for U.S. imports during the POI. We intend to release the CBP data under Administrative Protective Order (APO) to all parties with access to information protected by APO within five days of the announcement of the initiation of this investigation.

Interested parties may submit comments regarding the CBP data and respondent selection within seven calendar days of publication of this notice. We intend to make our decision regarding respondent selection within 20 days of publication of this **Federal Register** notice. Interested parties must submit applications for disclosure under APO in accordance with 19 CFR 351.305(b). Instructions for filing such applications may be found on the Department's Web site at <http://ia.ita.doc.gov/apo>.

**Distribution of Copies of the Petition**

In accordance with section 702(b)(4)(A)(i) of the Act, copies of the public versions of the CVD Petition and amendments thereto have been provided to the GOC. Because of the

particularly large number of producers/exporters identified in the CVD Petition, the Department considers the service of the public version of the petition to the foreign producers/exporters satisfied by the delivery of the public version to the GOC, consistent with 19 CFR 351.203(c)(2).

**ITC Notification**

We have notified the ITC of our initiation, as required by section 702(d) of the Act.

**Preliminary Determination by the ITC**

The ITC will preliminarily determine, within 45 days after the date on which the CVD Petition was filed, whether there is a reasonable indication that imports of allegedly subsidized galvanized steel wire from the PRC materially injure, or threaten material injury to, a U.S. industry. See section 703(a)(2) of the Act. A negative ITC determination will result in the investigation being terminated. See section 703(a)(1) of the Act. Otherwise, the investigation will proceed according to statutory and regulatory time limits.

**Notification to Interested Parties**

Interested parties must submit applications for disclosure under administrative protective orders in accordance with 19 CFR 351.305. On January 22, 2008, the Department published *Antidumping and Countervailing Duty Proceedings: Documents Submission Procedures; APO Procedures*, (73 FR 3634). Parties wishing to participate in these investigations should ensure that they meet the requirements of these procedures (e.g., the filing of letters of appearance as discussed at 19 CFR 351.103(d)).

Any party submitting factual information in an AD/CVD proceeding must certify to the accuracy and completeness of that information. See section 782(b) of the Act. Parties are hereby reminded that revised certification requirements are in effect for company/government officials as well as their representatives in all segments of any AD/CVD proceedings initiated on or after March 14, 2011. See *Certification of Factual Information to Import Administration During Antidumping and Countervailing Duty Proceedings: Interim Final Rule*, 76 FR 7491 (February 10, 2011) (*Interim Final Rule*) amending 19 CFR 351.303(g)(1) and (2). The formats for the revised certifications are provided at the end of the *Interim Final Rule*. The Department intends to reject factual submissions in any proceeding segments initiated on or after March 14, 2011, if the submitting

party does not comply with the revised certification requirements.

This notice is issued and published pursuant to section 777(i) of the Act.

Dated: April 20, 2011.

**Ronald K. Lorentzen,**

*Deputy Assistant Secretary for Import Administration.*

#### **Appendix—Scope of the Investigation**

The scope of the investigation covers galvanized steel wire which is a cold-drawn carbon quality steel product in coils, of solid, circular cross section with an actual diameter of 0.5842 mm (0.0230 inch) or more, plated or coated with zinc (whether by hot-dipping or electroplating).

Steel products to be included in the scope of the investigation, regardless of Harmonized Tariff Schedule of the United States (“HTSUS”) definitions, are products in which: (1) Iron predominates, by weight, over each of the other contained elements; (2) the carbon content is two percent or less, by weight; and (3) none of the elements listed below exceeds the quantity, by weight, respectively indicated:

- 1.80 percent of manganese, or
- 1.50 percent of silicon, or
- 1.00 percent of copper, or
- 0.50 percent of aluminum, or
- 1.25 percent of chromium, or
- 0.30 percent of cobalt, or
- 0.40 percent of lead, or
- 1.25 percent of nickel, or
- 0.30 percent of tungsten, or
- 0.02 percent of boron, or
- 0.10 percent of molybdenum, or
- 0.10 percent of niobium, or
- 0.41 percent of titanium, or
- 0.15 percent of vanadium, or
- 0.15 percent of zirconium.

The products subject to the investigation are currently classified in subheadings 7217.20.30 and 7217.20.45 of the HTSUS which cover galvanized wire of all diameters and all carbon content. Galvanized wire is reported under statistical reporting numbers 7217.20.3000, 7217.20.4510, 7217.20.4520, 7217.20.4530, 7217.20.4540, 7217.20.4550, 7217.20.4560, 7217.20.4570, and 7217.20.4580. These products may also enter under HTSUS subheadings 7229.20.0015, 7229.90.5008, 7229.90.5016, 7229.90.5031, and 7229.90.5051. Although the HTSUS subheadings are provided for convenience and Customs purposes, the written description of the merchandise is dispositive.

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