## Suspension of Liquidation

In accordance with section 703(d)(1)(A)(i) of the Act, we have calculated an individual subsidy rate for AST. Since AST is the only respondent in this investigation, we have also used its rate as the all-others rate. In accordance with section 703(d) of the Act, we are directing the U.S. Customs Service to suspend liquidation of all entries of stainless steel plate in coils from Italy.

*Company Ad Valorem Rate*

AST–14.75 percent
All Others–14.75 percent

## ITC Notification

In accordance with section 703(f) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all non-privileged and non-proprietary information related to this investigation. We will allow the ITC access to all privileged and business proprietary information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Assistant Secretary for Import Administration.

If our final determination is affirmative, the ITC will make its final determination within 45 days after the Department makes its final determination.

## Public Comment

In accordance with 19 CFR 351.310, we will hold a public hearing, if requested, to afford interested parties an opportunity to comment on this preliminary determination. The hearing is tentatively scheduled to be held 57 days from the date of publication of this preliminary determination, at the U.S. Department of Commerce, 14th Street and Constitution Avenue N.W., Washington, DC 20230. Individuals who wish to request a hearing must submit a written request within 30 days of the publication of this notice in the **Federal Register** to the Assistant Secretary for Import Administration, U.S. Department of Commerce, Room 1870, 14th Street and Constitution Avenue NW., Washington, DC 20230. Parties should confirm by telephone the time, date, and place of the hearing 48 hours before the scheduled time.

Requests for a public hearing should contain: (1) The party's name, address, and telephone number; (2) the number of participants; (3) the reason for attending; and (4) a list of the issues to be discussed. In addition, six copies of the business proprietary version and six copies of the nonproprietary version of the case briefs must be submitted to the Assistant Secretary no later than 50 days from the publication of this notice. As part of the case brief, parties are encouraged to provide a summary of the arguments not to exceed five pages and a table of statutes, regulations, and cases cited. Six copies of the business proprietary version and six copies of the nonproprietary version of the rebuttal briefs must be submitted to the Assistant Secretary no later than 55 days from the publication of this notice. An interested party may make an affirmative presentation only on arguments included in that party's case or rebuttal briefs. Written arguments should be submitted in accordance with 19 CFR 351.309 and will be considered if received within the time limits specified above.

This determination is published pursuant to sections 703(f) and 777(i) of the Act.

Dated; August 28, 1998.

**Joseph A. Spetrini,**

*Acting Assistant Secretary for Import Administration.*

[FR Doc. 98–23912 Filed 9–3–98; 8:45 am]

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## DEPARTMENT OF COMMERCE

## International Trade Administration

**[C–580–832]**

## Preliminary Negative Countervailing Duty Determination and Alignment of Final Countervailing Duty Determination With Final Antidumping Duty Determination: Stainless Steel Plate in Coils From the Republic of Korea

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

**EFFECTIVE DATE:** September 4, 1998.

**FOR FURTHER INFORMATION CONTACT:** Christopher Cassel or Kristen Johnson, Office of CVD/AD Enforcement VI, Import Administration, U.S. Department of Commerce, Room 4012, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230; telephone (202) 482–2786.

## Preliminary Determination

The Department of Commerce (the Department) preliminarily determines that countervailable subsidies are not being provided to producers and exporters of stainless steel plate in coils from the Republic of Korea.

## Petitioners

The petition in this investigation was filed by Allegheny Ludlum Corporation, Armco Inc., J&L Specialty Steel, Inc., Lukens Inc., United Steel Workers of America, AFL–CIO/CLC, Butler Armco Independent Union, and Zanesville Armco Independent Organization, Inc. (the petitioners).

## Case History

Since the publication of the notice of initiation in the **Federal Register** (*see Initiation of Countervailing Duty Investigations: Stainless Steel Plate in Coils from Belgium, Italy, the Republic of Korea, and the Republic of South Africa,* 63 FR 23272 (April 28, 1998) (*Initiation Notice*)), the following events have occurred. On May 4, 1998, we issued countervailing duty questionnaires to the Government of Korea (GOK), and the producers/exporters of the subject merchandise. On June 1, 1998, we postponed the preliminary determination of this investigation until no later than August 28, 1998. *See Notice of Postponement of Time Limit for Countervailing Duty Investigations: Stainless Steel Plate in Coils from Belgium, Italy, the Republic of Korea, and the Republic of South Africa,* 63 FR 31201 (June 8, 1998).

We received responses to our initial questionnaires from the GOK and Pohang Iron & Steel Company, Ltd. (POSCO), the producer of the subject merchandise, on July 1, 1998. In addition, we also received responses from five trading companies which are involved in exporting the subject merchandise to the United States: POSCO Steel Service & Sales Company, Ltd. (POSTEEL), Hyosung Corporation (Hyosung), Samsun Corporation (Samsun), Samsung Corporation (Samsung), and Sunkyong Ltd. (Sunkyong) on July 1, 1998. On July 22, 1998, we issued supplemental questionnaires to all of the responding parties and received their responses on August 3, 6, and 7, 1998. We also issued supplemental questionnaires on August 11, 1998 and August 19, 1998, and received the responding parties' responses on August 19, 1998, and August 24 and 25, 1998, respectively.

## The Applicable Statute and Regulations

Unless otherwise indicated, all citations to the statute are references to the provisions of the Tariff Act of 1930, as amended by the Uruguay Round Agreements Act (URAA) effective January 1, 1995 (the Act). In addition, unless otherwise indicated, all citations to the Department's regulations are to the current regulations as codified at 19

CFR Part 351 and published in the **Federal Register** on May 19, 1997 (62 FR 27295).

**Scope of Investigation**

For purposes of this investigation, the product covered is certain stainless steel plate in coils. Stainless steel is an alloy steel containing, by weight, 1.2 percent or less of carbon and 10.5 percent or more of chromium, with or without other elements. The subject plate products are flat-rolled products, 254 mm or over in width and 4.75 mm or more in thickness, in coils, and annealed or otherwise heat treated and pickled or otherwise descaled. The subject plate may also be further processed (*e.g.,* cold-rolled, polished, etc.) provided that it maintains the specified dimensions of plate following such processing. Excluded from the scope of this petition are the following: (1) Plate not in coils, (2) plate that is not annealed or otherwise heat treated and pickled or otherwise descaled, (3) sheet and strip, and (4) flat bars.

The merchandise subject to this investigation is currently classifiable in the *Harmonized Tariff Schedule of the United States* (HTS) at subheadings: 7219.11.00.30, 7219.11.00.60, 7219.12.00.05, 7219.12.00.20, 7219.12.00.25, 7219.12.00.50, 7219.12.00.55, 7219.12.00.65, 7219.12.00.70, 7219.12.00.80, 7219.31.00.10, 7219.90.00.10, 7219.90.00.20, 7219.90.00.25, 7219.90.00.60, 7219.90.00.80, 7220.11.00.00, 7220.20.10.10, 7220.20.10.15, 7220.20.10.60, 7220.20.10.80, 7220.20.60.05, 7220.20.60.10, 7220.20.60.15, 7220.20.60.60, 7220.20.60.80, 7220.90.00.10, 7220.90.00.15, 7220.90.00.60, and 7220.90.00.80. Although the HTS subheadings are provided for convenience and Customs purposes, the written description of the merchandise under investigation is dispositive.

**Injury Test**

Because the Republic of Korea (Korea) is a ''Subsidies Agreement Country'' within the meaning of section 701(b) of the Act, the International Trade Commission (ITC) is required to determine whether imports of the subject merchandise from Korea materially injure, or threaten material injury to, a U.S. industry. On May 28, 1998, the ITC published its preliminary determination finding that there is a reasonable indication that an industry in the United States is being materially injured, or threatened with material injury, by reason of imports from Korea of the subject merchandise (*See Certain Stainless Steel Plate in Coils From Belgium, Canada, Italy, Korea, South Africa, and Taiwan,* 63 FR 29251).

**Alignment With Final Antidumping Duty Determination**

On May 27, 1998, the petitioners submitted a letter requesting alignment of the final determination in this investigation with the final determination in the companion antidumping duty investigation. *See Initiation of Antidumping Investigations: Stainless Steel Plate in Coils From Belgium, Canada, Italy, Republic of South Africa, Republic of Korea, and Taiwan,* 63 FR 20580 (April 27, 1998). In accordance with section 705(a)(1) of the Act, we are aligning the final determination in this investigation with the final determinations in the antidumping investigations of stainless steel plate in coils.

**Period of Investigation**

The period for which we are measuring subsidies (the POI) is calendar year 1997.

**Subsidies Valuation Information**

Benchmarks for Long-term Loans and Discount Rates: In the *Final Affirmative Countervailing Duty Determinations and Final Negative Critical Circumstances Determinations: Certain Steel Products from Korea,* 58 FR 37338 (July 9, 1993) (*Steel Products from Korea*), we stated that the three-year corporate bond yield ''was the best indicator of a market rate in Korea.'' *See* 58 FR at 37346. In conformance with that prior decision, we have used as our long-term benchmark the three-year corporate bond yield. For variable rate loans for which the benefit is calculated on the interest payment during the POI, we have used as our benchmark the three year over-the-counter corporate bond rate, as reported by the GOK in its August 19, 1998, questionnaire response (public version on file in the Department's Central Records Unit, Room B–099). We have also used the three-year corporate bond yield to calculate the benefit from fixed rate loans provided under the Energy Savings Fund.

Benchmarks for Short-Term Financing: For those programs which require the application of a short-term interest rate benchmark, we used as our benchmark a company-specific weighted-average, short-term interest rate for won-denominated loans for the POI. Each respondent provided to the Department its respective company-specific interest rate.

Allocation Period: In the past, the Department has relied upon information from the U.S. Internal Revenue Service (IRS) for the industry-specific average useful life of assets in determining the allocation period for non-recurring subsidies. *See* the *General Issues Appendix (GIA),* 58 FR at 37227, which is appended to the *Final Affirmative Countervailing Duty Determination: Certain Steel Products from Austria,* 58 FR 37225 (July 9, 1993). However, in *British Steel plc* v. *United States,* 879 F. Supp. 1254 (CIT 1995) (British Steel I), the U.S. Court of International Trade (the Court) held that the IRS information did not necessarily reflect a reasonable period based on the actual commercial and competitive benefit of the subsidies to the recipients. In accordance with the Court's remand order, the Department calculated a company-specific allocation period for non-recurring subsidies based on the average useful life (AUL) of non-renewable physical assets. This remand determination was affirmed by the Court on June 4, 1996. *See British Steel plc* v. *United States,* 929 F. Supp. 426, 439 (CIT 1996) (*British Steel II*). Thus, we are determining the allocation period for non-recurring subsidies using company-specific AUL data where reasonable and practicable. *See, e.g., Certain Cut-to-Length Carbon Steel Plate from Sweden; Final Results of Countervailing Duty Administrative Review,* 62 FR 16551 (April 7, 1997).

In this investigation, the Department has followed the Court's decision in *British Steel I and II,* and examined information submitted by POSCO as to the AUL of its assets. In the course of this examination, we found that POSCO included special accelerated depreciation expenses and a depreciation of salvage value in its calculated AUL. POSCO reported that the accelerated depreciation is permitted in accordance with Korean GAAP for plant and equipment which operate for a standard eight-hour work day, and for facilities and equipment which operate longer than a standard eight-hour day. Since POSCO is a producer of steel products, it appears to be the company's normal course of business to operate its facilities longer than a standard eight-hour day. Therefore, we disagree with POSCO's calculation of its AUL, and have recalculated the company's AUL excluding these adjustments to depreciation expenses. Because POSCO did not break-out separately the accelerated depreciation and depreciation of salvage value expenses which are reported under the category ''special charges to depreciation expense,'' we recalculated POSCO's

AUL excluding all of these adjustments. Based upon our recalculation of the company's AUL, we calculated an AUL of 12 years for POSCO.

Treatment of Subsidies Received by Trading Companies: During the POI, POSCO exported the subject merchandise to the United States through five trading companies. We required that the five trading companies provide responses to the Department with respect to the export subsidies under investigation. One of the trading companies, POSTEEL, is affiliated with POSCO within the meaning of section 771(33)(E) of the Act because POSCO owned 95.3 percent of POSTEEL's shares as of December 31, 1997. The other four trading companies are not affiliated with POSCO. We required responses from the trading companies because the subject merchandise may be subsidized by means of subsidies provided to both the producer and the exporter. All subsidies conferred on the production and exportation of subject merchandise benefit the subject merchandise even if it is exported to the United States by an unaffiliated trading company rather than by the producer itself. Therefore, the Department calculates countervailable subsidy rates on the subject merchandise by cumulating subsidies provided to the producer, with those provided to the exporter.

Under section 351.107 of the Department's Regulations, when the subject merchandise is exported to the United States by a company that is not the producer of the merchandise, the Department may establish a ''combination'' rate for each combination of an exporter and supplying producer. However, as noted in the ''Explanation of the Final Rules'' (the Preamble), there may be situations in which it is not appropriate or practicable to establish combination rates when the subject merchandise is exported by a trading company. In such situations, the Department will make exceptions to its combination rate approach on a case-by-case basis. *See Antidumping Duties; Countervailing Duties; Final rule,* 62 FR 27296; 27303 (May 19, 1997).

In this investigation, we preliminarily determine that it is not appropriate to establish combination rates. This determination is based on two main facts: First, the majority of the subsidies conferred upon the subject merchandise were received by the producer, POSCO. Second, the difference in the levels of subsidies conferred upon the subject merchandise among the individual trading companies is insignificant. Therefore, combination rates would serve no practicable purpose because the calculated subsidy rate for POSCO/Hyosung or POSCO/Sunkyong or POSCO and any of the other trading companies would effectively be the same rate. For these reasons we are not calculating combination rates in this investigation. Instead, we have only calculated one rate for the subject merchandise, all of which is produced by POSCO.

To include the subsidies received by the trading companies, which are conferred upon the export of the subject merchandise, in the calculated *ad valorem* subsidy rate, we used the following methodology. For each of the five trading companies, we calculated the benefit attributable to the subject merchandise and factored that amount into the calculated subsidy rate for the producer. In each case, we determined the benefit received by the trading companies for each export subsidy and weight-averaged the benefit amounts by the relative share of each trading company's value of exports of the subject merchandise to the United States. This calculated *ad valorem* subsidy was then added to the subsidy calculated for POSCO. Thus, for each of the programs below, the listed *ad valorem* subsidy rate is cumulative of the countervailable subsidies received by both the trading companies and POSCO.

## I. Programs Preliminarily Determined To Be Countervailable

### *A. Direction of Credit*

In the 1993 investigation of *Steel Products from Korea,* the Department determined (1) that the GOK influenced the practices of lending institutions in Korea; (2) regulated long-term loans were provided to the steel industry on a selective basis; and (3) the selective provision of these regulated loans resulted in a countervailable benefit. Accordingly, all long-term loans received by the producers/exporters of the subject merchandise were treated as countervailable. The determination in that investigation covered all long-term loans bestowed through 1991.

In this investigation, petitioners allege that the GOK continued to control the practices of lending institutions in Korea through the POI, and that the steel sector received a disproportionate share of low-cost, long-term credit, resulting in countervailable benefits being conferred on the producers/exporters of the subject merchandise. Petitioners assert, therefore, that the Department should countervail all long-term loans received by the producers/exporters of the subject merchandise that were still outstanding during the POI.

#### 1. The GOK's Credit Policies Through 1991

As noted above, we previously found significant GOK control over the practices of lending institutions in Korea through 1991, the period investigated in *Steel Products From Korea.* This finding of control was determined to be sufficient to constitute a government program and government action. *See Steel Products from Korea,* 58 FR at 37342. We also determined that (1) the Korean steel sector, as a result of the GOK's credit policies and control over the Korean financial sector, received a disproportionate share of regulated long-term loans, so that the program was, in fact, specific, and (2) that the interest rates on those loans were inconsistent with commercial considerations. *Id.* at 37343. Thus, we countervailed all long-term loans received by the steel sector from all lending sources.

In this investigation, we provided the GOK with the opportunity to present new factual information concerning the government's credit policies prior to 1992, which we would consider along with our finding in the prior investigation. The GOK has not provided new factual information that would lead us to change our determination in *Steel Products from Korea.* Therefore, we preliminarily determine that the provision of long-term loans in Korea through 1991 results in a financial contribution within the meaning of section 771(5)(D)(i) of the Act. This finding is in conformance with the Statement of Administrative Action (SAA), which states that ''section 771(5)(B)(iii) encompasses indirect subsidy practices like those which Commerce has countervailed in the past, and that these types of indirect subsidies will continue to be countervailable.'' SAA, accompanying H.R. 5110 (H.R. Doc. No. 316, Vol. 1, 103d Cong., 2d Sess.) (1994), at 926. In accordance with section 771(5)(E)(ii) of the Act, a benefit has been conferred to the recipient to the extent that the regulated loans are provided at interest rates less than the benchmark rates described under the ''Subsidies Valuation'' section, above.

We also preliminarily determine that all regulated long-term loans provided to the producers/exporters of the subject merchandise through 1991 were provided to a specific enterprise or industry, or group thereof, within the meaning of section 771(5A)(D)(iii)(III) of the Act. This finding is in conformance with our determination in *Steel*

*Products from Korea. See,* 58 FR at 37342.

POSCO was the only producer of the subject merchandise, and POSCO received long-term loans prior to 1992 that were still outstanding during the POI. These included loans with both fixed and variable interest rates. To determine the benefit from the regulated loans with fixed interest rates, we applied the Department's standard long-term loan methodology and calculated the grant equivalent for the loans. For POSCO's variable-rate loans, we compared the amount of interest paid during the POI on the regulated loans to the amount of interest that would have been paid at the benchmark rate. We then summed the benefit amounts from the loans attributable to the POI and divided the total benefit by POSCO's total sales. On this basis, we determine the countervailable subsidy to be 0.15 percent *ad valorem*.

2. The GOK's Credit Policies From 1992 Through 1997

We have also examined the GOK's credit policies during the period 1992 through 1997. Because of the complexity of this issue and the conflicting information on the record, which we discuss below, we will continue to seek additional information on whether the GOK's practices during this period confer a countervailable subsidy. After we collect additional information and conduct verification, we will prepare an analysis memorandum addressing the countervailability of the GOK's credit policies during this period and provide all parties with an opportunity to comment on our analysis.

In its questionnaire responses, the GOK asserts that there was no government policy to direct long-term credit to the Korean steel industry during the period 1992 through 1997, and that it was not involved in the lending activities of Korean financial institutions. The GOK states that the lending decisions and loan distributions of financial institutions in Korea reflect commercial considerations. The GOK states that its role in the financial sector is limited to monetary and credit policies as well as bank supervision and examination.

Evidence submitted to the Department by the GOK indicates that some deregulatory measures affecting the Korean financial sector have been taken since 1991. These include a four-stage interest rate deregulation plan that, according to the GOK, virtually eliminated all government control over deposit and lending rates in Korean won. For example, rates on corporate bonds and all bank loans, other than those assisted by Bank of Korea (BOK) rediscounts, were deregulated by November 1993. Also, information submitted to the Department by the GOK indicates that there have been reforms to the process by which commercial bank presidents are selected. The reforms include a procedure, implemented in 1993, whereby bank chairmen are selected by committees consisting of shareholder representatives, corporate clients, and ex-bank presidents. In 1997, the GOK further amended the Banking Act to prescribe that a candidate for bank president, recommended by a candidate recommendation committee, must be elected by an affirmative vote of a two-thirds majority of the non-permanent directors of the bank.

However, other information in the record indicates that the GOK may still exert substantial influence over the lending decisions of financial institutions. For example, recent GOK policies appear to be aimed, in part, at promoting certain sectors of the economy, such as high technology and small and medium sized enterprises (SMEs). *See, e.g.,* ''KDB Financial Support for Korean Industries,'' from the Korea Development Bank's appended to ''Memorandum From Case Analyst to File, Re: Articles on Korean Financial System,'' (on file in the public file of the Central Records Unit of the Department of Commerce, Room B–099) (''Korean Financial System Memo''). Other official information on the record appears to suggest that the GOK may have continuted the practice of directing credit after 1991. Independent commentators have also noted the GOK's continued involvement in the financial system. *See, e.g., Deep Pockets,* ''The Economist,'' (May 3, 1997), appended to Korean Financial System Memo; *Financing Foreign Operations, South Korea,* The Economist Intelligence Unit, 1997, page 20, appended to Korean Financial System Memo; *The Korean Economy in 1997: Crisis and Response,* by Thomas Byrne, appended to Korean Financial System Memo.

As noted above, in light of this conflicting information, at verification and during the course of this proceeding, we will gather additional information on this issue in order to make a determination as to whether credit provided after 1991 is countervailable. During verification, we plan to meet with various individuals knowledgeable about the financial sector in Korea in order to gather information on the differences between the GOK's credit policies in the 1980s and the 1990s; the lending practices of government-owned banks and of commercial lending institutions; the role of securities (public and corporate bonds) in the financial system; and the impact of the GOK's financial liberalization on the lending practices of Korean banks after 1991.

*B. Loans from the Energy Savings Fund*

Established in accordance with Article 51 of the ''Rationalization of Energy Utilization Act'' (Energy Use Act), the Energy Saving Fund provides financing at below-market interest rates for investment by businesses in facilities that rationally and efficiently use energy. Overall responsibility for the program lies with the Ministry of Industry and Energy (MIE), but the operation and management of the program is entrusted to the Korea Energy Management Corporation (KEMC). While the Energy Use Act was repealed in 1995, the MIE, under the new ''Energy Use Rationalization Act,'' provides financing for this program from special government accounts.

Korean companies obtain financing under this program by submitting an application to the KEMC. If the KEMC is satisfied that the applicant's business plans are intended for the rationalization of energy use, it will then issue a recommendation, and forward the company's application to a bank. The KEMC will transfer funds to the bank, which will in turn provide the funds to the applicant. The interest rate charged under the Energy Saving Fund was set at 7.0 percent. POSCO paid interest on two Energy Saving Fund loans during the POI, both of which were received in 1994, and the interest rates paid by POSCO were less than the 7.0 percent rate prescribed by the program.

This program provides a financial contribution within the meaning of section 771(5)(D)(i) of the Act and, in accordance with section 771(5)(E)(ii) of the Act, provides a benefit to the recipient based on the difference between the interest rate on the program loan and the benchmark rate described in the ''Subsidies Valuation'' section, above. We preliminarily determine that the loans provided to POSCO were specific within the meaning of section 771(5A)(D)(iii)(IV) of the Act, because the interest rate charged to POSCO was less than the program interest rate prescribed by the program's regulations.

To calculate the benefit from the Energy Savings Loans, we employed the Department's standard long-term loan methodology, using as our benchmark the rate described in the ''Subsidies Valuation'' section of the notice, above.

We divided the benefit attributable to the POI by POSCO's total sales during 1997. On this basis, we preliminarily determine the countervailable subsidy to be less than 0.005 percent *ad valorem*.

*C. Kwangyang Bay*

Petitioners requested that the Department investigate whether the GOK's infrastructure development at Kwangyang Bay continues to provide a countervailable subsidy to POSCO's steel production. The Department previously determined that the Korean government's infrastructure development at Kwangyang Bay constituted a specific countervailable subsidy to POSCO, because POSCO was found to be the predominant user of the infrastructure. *See Steel Products from Korea,* 58 FR at 37346–47. Because POSCO still produces steel products at Kwangyang Bay, we requested information on this program to determine whether the GOK has made additional investments since 1991, at Kwangyang Bay.

1. GOK Infrastructure Investments at Kwangyang Bay Pre-1992

In *Steel Products from Korea,* the Department investigated the GOK's infrastructure investments at Kwangyang Bay over the period 1983–1991. During this period of time, the GOK's investments at Kwangyang Bay included: construction of an industrial waterway, construction of a railroad station, construction of a road to Kwangyang Bay, dredging of the harbor, and construction of three finished goods berths. We determined that the GOK's provision of infrastructure to POSCO at Kwangyang Bay was countervailable because we found POSCO to be the predominant user of the GOK's investments. The Department has consistently held that a countervailable subsidy exists when benefits under a program are provided, or are required to be provided, in law or in fact, to a specific enterprise or industry or group of enterprises or industries. *See Steel Products from Korea,* 58 FR at 37346.

No new factual information or evidence of changed circumstances has been provided to the Department with respect to the GOK's infrastructure investments at Kwangyang Bay over the period 1983–1991. Therefore, to determine the benefit from the GOK's investments to POSCO during the POI, we relied on the calculations performed in the 1993 investigation of *Steel Products from Korea,* which were placed on the record of this investigation by POSCO. In measuring the benefit from this program in the 1993 investigation, the Department treated the GOK's costs of constructing the infrastructure at Kwangyang Bay as untied, non-recurring grants in each year in which the costs were incurred. The Department used as its discount rate the three-year corporate bond rate on the secondary market, which was the average cost of long-term fixed rate debt in Korea at that time.

To determine the benefit conferred to POSCO during the POI, we applied the Department's standard grant methodology and allocated the GOK's infrastructure investments over a 12-year time period using the AUL which we calculated for POSCO in this investigation. See the allocation period discussion under the ''Subsidies Valuation Information'' section above. We used as our discount rate the three-year corporate bond rate on the secondary market used in *Steel Products from Korea.* We then summed the benefits received by POSCO during 1997, from each of the GOK's yearly investments over the period 1986–1991. We then divided the total benefit attributable to the POI by POSCO's total sales for 1997. On this basis, we preliminary determine a countervailable subsidy of 0.23 percent *ad valorem* for the POI.

2. GOK Infrastructure Investments at Kwangyang Bay Post-1991

The GOK has made the following additional infrastructure investments at Kwangyang Bay since 1991: construction of a road from Kwangyang to Jinwol, construction of a container terminal, and construction of the Jooam Dam. The GOK states that pursuant to Article 29 of the Industrial Sites and Development Act, it is the national and local governments' responsibility to provide basic infrastructure facilities throughout the country, and the nature of the infrastructure depends on the specific needs of each area and/or the types of industries located in a particular area. Depending upon the type of infrastructure built, the GOK provides services to companies through the use of the infrastructure facilities and charges fees for these services based on published tariff rates applicable to all users.

With respect to the GOK's post-1991 infrastructure investments at Kwangyang Bay, the GOK argues that the construction of the infrastructure was not for the benefit of POSCO. The GOK reports that the purpose of developing the Jooam Dam, which was fully constructed in 1993, was to meet the rising demand for water by area businesses and households. The supply capacity of the Sueochon dam, which was constructed prior to 1991, could not meet the area's water needs and therefore a second dam at Kwangyang Bay was built. The GOK further reports that the construction of the Jooam Dam did not benefit POSCO because POSCO receives all of its water supply from the Sueochon Dam. In *Steel Products from Korea,* we determined that POSCO was the predominant user of the Sueochon Dam, and on this basis treated the government's full investment costs for constructing that dam as countervailable subsidies benefitting POSCO.

The GOK developed the container terminal according to the Kwangyang Container Terminal Development Plan. The purpose of the container terminal was to provide another major southern port with a container terminal in order to relieve congestion at Pusan, and to encourage the further commercial development of the region. The GOK states that, given the nature of the merchandise imported, produced, and exported by POSCO at Kwangyang Bay, this container terminal cannot be used by POSCO's operations. According to the responses from the GOK and POSCO, neither steel products nor steel inputs are shipped through the container terminal at Kwangyang Bay, nor, given the nature of those products, would they be shipped through the container terminal.

The road from Kwangyang to Jinwol was constructed in 1993. The road between the two cities is a by-pass route constructed to relieve a transportation bottleneck in the area. The GOK states that this is a general service, public access road available for, and used by, all residents and businesses in the area of Kwangyang Bay. According to the GOK response, the reason for building the public highway was not to serve POSCO, but to provide general infrastructure to the area as part of the GOK's continuing development of the country.

Based on the information on the record regarding the GOK's infrastructure investments at Kwangyang Bay since 1991, we preliminarily determine that these investments are not providing countervailable benefits to POSCO. However, we will further investigate the GOK's infrastructure investments at verification to ascertain whether, in fact, the facilities were built for POSCO's benefit.

*D. Port Facility Fees*

The GOK reports in its August 7, 1998, questionnaire response that, since 1991, POSCO has built new port facilities at Kwangyang Bay, at the company's own expense. However,

since title to port facilities must be transferred to the GOK in accordance with Article 17–1 of the Harbor Act, POSCO had to revert these facilities to the GOK. In return, POSCO has the right to use the port facilities free of charge, and can charge other users a usage fee until the company recovers all of its investment costs.

In the 1993 investigation of *Steel Products from Korea,* the Department found that POSCO, which built port berths at Kwangyang Bay, but, by law, had to deed them to the GOK, was exempt from paying fees for use of the berths. POSCO was the only company entitled to use the berths at the port facility free of charge. The Department determined that because this privilege was limited to POSCO, and because the privilege relieved POSCO of costs it would otherwise have had to pay, POSCO's free use of the berths at Kwangyang Bay constituted a countervailable benefit. The Department stated that each exemption from payment of the fees, or ''reimbursement'' to POSCO, creates a countervailable benefit because the GOK is relieving POSCO of an expense the company would have otherwise incurred. *See Steel Products from Korea,* 58 FR at 37347–348.

With respect to the present investigation, because POSCO remains exempt from paying port facility fees which it otherwise would have to pay, and therefore the government is not collecting revenue that it is otherwise due, we preliminarily determine that POSCO's free use of the port facilities provides a financial contribution to the company within the meaning of section 771(5)(D)(ii) of the Act. We also preliminarily find that the exemption from paying port facility charges is a specific subsidy under section 771(5A)(D)(iii)(IV) of the Act, because POSCO was the only company exempt from paying port facility fees during the POI.

Because the exemption of the port facility fees are not ''exceptional'' benefits and are received automatically on a regular and predictable basis without further government approval, we preliminarily determine that this fee exemption provides a recurring benefit to POSCO. Therefore, we have expensed the benefit from this program in the year of receipt. *See GIA,* 58 FR at 37226. To measure the benefit which POSCO received during the POI for the free use of the facilities, we calculated the amount of the fees which POSCO would have had to pay for the use of the facilities during the POI. We then divided this benefit amount by POSCO's total sales for the POI. On this basis, we preliminarily determine that POSCO received a countervailable subsidy of 0.03 percent *ad valorem* during the POI.

*E. Short-Term Export Financing*

The Department determined that the GOK's short-term export financing program was countervailable in *Steel Products from Korea,* 58 FR at 37350. Petitioners allege that this program may also benefit the producers and/or exporters of the subject merchandise. In this investigation, the GOK reports that the BOK, under the ''Detailed Rules of Trade Financing Related to the Aggregate Ceiling Loans'' (Detailed Rules), provides discounts on foreign trade bills to commercial banks, which, in turn, extend short-term loans to exporters. Under the aggregate credit ceiling system established in 1994, the BOK allocates a credit ceiling every month to each commercial bank, including branches of Korean and foreign banks. This ceiling is based on each bank's loan performance *i.e.,* each bank's discounting of commercial loans, foreign trade financing, and loans for the production of parts and material. These banks then provide loans to exporters using the funds received from the BOK and funds generated from their own sources to discount trade bills.

There are two types of trade financing: production financing and raw material financing. A bank provides production financing when a company needs funds for the production of export merchandise or the production of raw materials used in the production of exported merchandise. A bank extends raw material financing to exporters which require financing for the importation or local purchase of raw materials used in the production of exported merchandise.

During the POI, POSCO was the only producer/exporter of the subject merchandise that received export financing. POSCO reports that the company entered into a credit ceiling loan agreement with a commercial bank in accordance with Articles 12 and 13 of the Detailed Rules to receive production financing. The loan agreement outlines the maximum amount of credit which POSCO is eligible to receive, the period covered by the loan agreement, the applicable interest rate, and the penalty interest rate. POSCO states that when the company purchases raw materials from a supplier on a letter of credit basis, the supplier presents the letter of credit to POSCO's bank for payment. The bank, in turn, pays the purchase price to the supplier and debits the trade loan against POSCO's line of credit. POSCO pays the full amount of each trade loan after about 90 days, which is the average period from production to sales. Interest is paid by POSCO against each trade loan at the time the loans are received. POSCO reported that the company paid all of its export financing during the POI in a timely manner and incurred no overdue interest penalties. In accordance with section 771(5A)(B) of the Act, we preliminary determine that this program constitutes an export subsidy because receipt of the financing is contingent upon export performance. A financial contribution is provided to POSCO under this program within the meaning of section 771(5)(D)(i) of the Act. In order to determine whether this export financing program confers a countervailable benefit to POSCO, we compared the interest rate POSCO paid on the export financing received under this program during the POI with the interest rate POSCO would have paid on a comparable short-term commercial loan. See discussion above in the ''Subsidies Valuation Information'' section with respect to short-term loan benchmark interest rates.

Because loans under this program are discounted (*i.e.,* interest is paid up-front at the time the loans are received), the effective rate paid by POSCO on its export financing is a discounted rate. Therefore, it was necessary to derive from POSCO's company-specific weighted-average interest rate for short-term won-denominated commercial loans, a discounted benchmark interest rate. We compared this discounted benchmark interest rate to the interest rates charged on the export financing and found that the program interest rates were lower than the benchmark rates. Therefore, in accordance with section 771(5)(E)(ii) of the Act, we preliminarily determine that this program confers countervailable benefits because the interest rates charged on the loans were less than what POSCO would have had to pay on a comparable short-term commercial loan.

To calculate the benefit conferred by this program, we compared the actual interest paid on the loans with the amount of interest that would have been paid at the applicable discounted benchmark interest rate. When the interest that would have been paid at the benchmark rate exceeded the interest that was paid at the program interest rate, the difference between those amounts is the benefit. Because POSCO was unable to segregate its production financing applicable to only subject merchandise exported to the United States, we divided the benefit derived from the loans by total exports. On this basis, we preliminarily

determine that POSCO received from this program during the POI a countervailable subsidy of less than 0.005 percent ad valorem.

*F. Reserve for Export Loss—Article 16 of the TERCL*

Under Article 16 of the Tax Exemption and Reduction Control Act (TERCL), a domestic person engaged in a foreign-currency earning business can establish a reserve amounting to the lesser of one percent of foreign exchange earnings or 50 percent of net income for the respective tax year. Losses accruing from the cancellation of an export contract, or from the execution of a disadvantageous export contract, may be offset by returning an equivalent amount from the reserve fund to the income account. Any amount that is not used to offset a loss must be returned to the income account and taxed over a three-year period, after a one-year grace period. All of the money in the reserve is eventually reported as income and subject to corporate tax either when it is used to offset export losses or when the grace period expires and the funds are returned to taxable income. The deferral of taxes owed amounts to an interest-free loan in the amount of the company's tax savings. This program is only available to exporters. During the POI, Samsun was the only exporter of the subject merchandise which received benefits under this program.

We preliminarily determine that the Reserve for Export Loss program constitutes an export subsidy under section 771(5A)(B) of the Act because the use of the program is contingent upon export performance. We also preliminarily determine that this program provides a financial contribution within the meaning of section 771(5)(D)(i) of the Act in the form of a loan.

To determine the benefit conferred by this program, we calculated the tax savings by multiplying the balance amount of the reserve as of December 31, 1996, by the corporate tax rate for 1996. We treated the tax savings on these funds as a short-term interest-free loan. Accordingly, to determine the benefit, the amount of tax savings was multiplied by the company's weighted-average interest rate for short-term won-denominated commercial loans for the POI, described in the ''Subsidies Valuation Information'' section, above. Using the methodology for calculating subsidies received by trading companies, which also is detailed in the ''Subsidies Valuation Information'' section of this notice, we preliminarily determine a countervailable subsidy of less than 0.005 percent ad valorem.

*G. Reserve for Overseas Market Development—Article 17 of the TERCL*

Article 17 of the TERCL operates in a manner similar to Article 16, discussed above. This provision allows a domestic person engaged in a foreign trade business to establish a reserve fund equal to one percent of its foreign exchange earnings from its export business for the respective tax year. Expenses incurred in developing overseas markets may be offset by returning from the reserve, to the income account, an amount equivalent to the expense. Any part of the fund that is not placed in the income account for the purpose of offsetting overseas market development expenses must be returned to the income account over a three-year period, after a one-year grace period. As is the case with the Reserve for Export Loss, the balance of this reserve fund is not subject to corporate income tax during the grace period. However, all of the money in the reserve is eventually reported as income and subject to corporate tax either when it offsets export losses or when the grace period expires. The deferral of taxes owed amounts to an interest-free loan equal to the company's tax savings. This program is only available to exporters.

The following exporters of the subject merchandise received benefits under this program during the POI: Hyosung, POSTEEL, Samsun, Samsung, and Sunkyong.

We preliminarily determine that the Reserve for Overseas Market Development program constitutes an export subsidy under section 771(5A)(B) of the Act because the use of the program is contingent upon export performance. We also preliminarily determine that this program provides a financial contribution within the meaning of section 771(5)(D)(i) of the Act in the form of a loan.

To determine the benefits conferred by this program during the POI, we employed the same methodology used for determining the benefit from the Reserve for Export Loss program. We used as our benchmark interest rate, each trading company's respective weighted-average interest rate for short-term won-denominated commercial loans for the POI, described in the ''Subsidies Valuation Information'' section above. Using the methodology for calculating subsidies received by trading companies, which also is detailed in the ''Subsidies Valuation Information'' section of this notice, we preliminarily calculate a countervailable subsidy of 0.01 percent *ad valorem* for this program during the POI.

*H. Investment Tax Credits*

Under the TERCL, companies in Korea are allowed to claim investment tax credits for various kinds of investments. If the tax credits cannot all be used at the time they are claimed, then the company is authorized to carry them forward for use in later tax years. During the POI, POSCO used various investment tax credits received under the TERCL to reduce its net tax liability. In *Steel Products from Korea,* we found that investment tax credits were not countervailable (*see* 58 FR at 37351); however, there were changes in the statute effective in 1995, which have caused us to revisit the countervailability of the investment tax credits.

POSCO claimed or used the following tax credits in its fiscal year 1996 income tax return: (1) Tax credits for investments in facilities for research and experimental use and investments in facilities for vocational training or assets for business to commercialize new technology under Article 10; (2) tax credits for vocational training under Article 18; (3) tax credits for investment in productivity improvement facilities under Article 25; (4) tax credits for investment in specific facilities under Article 26; (5) tax credits for temporary investment under Article 27; and (6) tax credits for specific investments under Article 71 of TERCL. For these specific tax credits, a company normally calculates its authorized tax credit based upon three or five percent of its investment, *i.e.,* the company receives either a three or five percent tax credit. However, if a company makes the investment in domestically-produced facilities under these Articles, it receives a 10 percent tax credit. Under section 771(5A)(C) of the Act, which became effective on January 1, 1995, a program that is contingent upon the use of domestic goods over imported goods is specific, within the meaning of the Act. Because Korean companies receive a higher tax credit for investments made in domestically-produced facilities, we preliminarily determine that investment tax credits received under Articles 10, 18, 25, 26, 27, and 71 constitute import substitution subsidies under section 771(5A)(C) of the Act. In addition, because the GOK foregoes collecting tax revenue otherwise due under this program, we also preliminarily determine that a financial contribution is provided under section 771(5)(D)(ii) of the Act. Therefore, we preliminarily determine this program to be countervailable.

To calculate the benefit from this tax credit program, we examined the

amount of tax credits POSCO deducted from its taxes payable for the 1996 fiscal year. In its 1996 income tax return filed during the POI, POSCO deducted from its taxes payable, credits earned in the years 1992 through 1995, which were carried forward and used in the POI. We first determined the amount of the tax credits claimed which were based upon the investment in domestically-produced facilities. We then calculated the additional amount of tax credits received by the company because it earned tax credits of 10 percent on investments in domestically-produced facilities rather the regular three or five percent tax credit. Next, we calculated the amount of the tax savings earned through the use of these tax credits during the POI and divided that amount by POSCO's total sales for the POI. On this basis, we preliminarily determine a countervailable subsidy of 0.27 percent *ad valorem* from this program during the POI.

**I. Electricity Discounts Under the Requested Load Adjustment Program**

Petitioners alleged that POSCO is being charged utility rates at less than adequate remuneration and, hence, the production of the subject merchandise is receiving countervailable benefits from this subsidy. Petitioners alleged that POSCO is receiving these countervailable benefits in the form of utility rate discounts.

The GOK reports that during the POI the government-owned Korea Electric Power Company (KEPCO) provided POSCO with three types of discounts under its tariff schedule. These three discounts were based on the following rate adjustment programs in KEPCO's tariff schedule: (1) Power Factor Adjustment; (2) Summer Vacation and Repair Adjustment; and (3) Requested Load Adjustment. (See the discussion below in ''Programs Preliminarily Determined To Be Not Countervailable'' with respect to the Power Factor Adjustment and Summer Vacation and Repair Adjustment discount programs.)

With respect to the Requested Load Adjustment (RLA) program, the GOK introduced this discount in 1990, to address emergencies in KEPCO's ability to supply electricity. Under this program, customers with a contract demand of 5,000 KW or more, who can curtail their maximum demand by 20 percent or suppress their maximum demand by 3,000 KW or more, are eligible to enter into a RLA contract with KEPCO. Customers who choose to participate in this program must reduce their load upon KEPCO's request, or pay a surcharge to KEPCO.

Customers can apply for this program between May 1 and May 15 of each year. If KEPCO finds the application in order, KEPCO and the customer enter into a contract with respect to the RLA discount. The RLA discount is provided based upon a contract for two months, normally July and August. Under this program, a basic discount of 440 won per KW is granted between July 1 and August 31, regardless of whether KEPCO makes a request for a customer to reduce its load. During the POI, KEPCO granted 44 companies RLA discounts even though KEPCO did not need to request these companies to reduce their respective loads. The GOK reports that because KEPCO increased its capacity to supply electricity in 1997, it reduced the number of companies with which it maintained RLA contracts in 1997. In 1996, KEPCO entered into RLA contracts with 232 companies.

We analyzed whether this electricity discount program is specific in law (*de jure* specificity), or in fact (*de facto* specificity), within the meaning of section 771(5A)(D)(i) and (iii) of the Act. First, we examined the eligibility criteria contained in the law. The Regulation on Electricity Supply and KEPCO's Rate Regulations for Electric Service identified companies within a broad range of industries as being eligible to participate in the electricity discount programs. The RLA discount program is available to a wide variety of companies across all industries, provided that they have the required contract demand and can reduce their maximum demand by a certain percentage. We preliminarily find that the RLA electricity program is not *de jure* specific under section 771(5A)(D)(i) of the Act because the regulation does not explicitly limit eligibility of the program.

We next examined data on the distribution of assistance under the RLA to determine whether the electricity discount program meets the criteria for *de facto* specificity under section 771(5A)(D)(iii) of the Act. We found that discounts provided under the RLA were distributed to a limited number of customers, *i.e.*, a total of 44 customers during the POI. Given the data with respect to the small number of companies which received RLA electricity discounts during the POI, we preliminarily determine that the RLA program is *de facto* specific under section 771(5A)(D)(iii)(I) of the Act.

Because the electricity discounts are not ''exceptional'' benefits and are received automatically on a regular and predictable basis without further government approval, we preliminarily determine that these discounts provide a recurring benefit to POSCO. Therefore, we have expensed the benefit from this program in the year of receipt. *See GIA*, 58 FR at 37226. To measure the benefit from this program, we summed the electricity discounts which POSCO received from KEPCO under the RLA program during the POI. We then divided that amount by POSCO's total sales value for 1997. On this basis, we preliminarily determine that POSCO received a countervailable subsidy of less than 0.005 percent *ad valorem*, from this discount program during the POI.

Given the information the GOK provided on the record regarding KEPCO's increased capacity to supply electricity and the resulting decrease in KEPCO's need to enter into a large number of RLA contracts during the POI, we will further investigate the *de facto* specificity of this discount program at verification. It is the GOK's responsibility to demonstrate to the Department on what basis KEPCO chose the 44 customers with which it entered into the RLA contracts during the POI.

**II. Program Preliminarily Determined To Be Not Countervailable**

*Electricity Discounts Under Power Factor Adjustment and Summer Vacation and Repair Adjustment Programs*

As noted above, the GOK reported that KEPCO provided POSCO with three types of discounts under its tariff schedule during the POI. These three discounts were based on the following rate adjustment programs in KEPCO's tariff schedule: (1) Power Factor Adjustment; (2) Summer Vacation and Repair Adjustment; and (3) Requested Load Adjustment. (See the separate discussion above in regard to the countervailability of the Requested Load Adjustment program.)

With respect to the Power Factor Adjustment (PFA) program, the GOK reports that the goal of the PFA is to improve the energy efficiency of KEPCO's customers which, in turn, provides savings to KEPCO in supplying electricity to its entire customer base. Customers who achieve a higher efficiency than the performance standard (*i.e.*, 90 percent) receive a discount on their base demand charge. Therefore, any customer who installs a proper facility to measure its power factor and achieves a power factor greater than 90 percent receives a discount on its demand charge.

The GOK states that the PFA is not a special program, but a normal factor used in the calculation of a customer's

electricity charge which was introduced in 1989. The PFA is available to all general, educational, industrial, agricultural, midnight power, and temporary customers who meet the eligibility criteria. The eligibility criteria are that a customer must: (1) Have a contract demand of 6 KW or more, (2) have a power factor that exceeds the 90 percent standard power factor, and (3) have proper facilities to measure its power factor. If these criteria are met, a customer always receives a PFA discount on its monthly electricity invoice. According to the response of the GOK, there are no limitations on the types of customers or industries which can receive the PFA discounts from KEPCO and there were over 600,000 recipients of the PFA discounts during the POI.

With the aim of curtailing KEPCO's summer load by encouraging customer vacations or the repair of their facilities during the summer months, the GOK introduced the Summer Vacation and Repair Adjustment (VRA) in 1985. Under this program, a discount of 550 won per KW is given to customers, if they curtail their maximum demand by more than 50 percent, or 3,000 KW, through a load adjustment or maintenance shutdown of their production facilities during the summer months. Eligible customers apply for a VRA discount during the period June 1 to June 15 of each year. If KEPCO finds the application in order, KEPCO and the customer prepare a contract with respect to the discount.

The GOK states that this discount program is available to all industrial and commercial customers with a contract demand of 500 KW or more. The GOK states that the VRA is one of several programs that KEPCO operates as part of its broad long-term strategy of demand-side management which includes curtailing peak demand, and is the most effective of these programs. The GOK submitted information demonstrating that hundreds of KEPCO customers, from a wide and diverse range of industries, received VRA discounts during the POI.

We analyzed whether these two electricity discount programs are specific in law (*de jure* specificity), or in fact (*de facto* specificity), within the meaning of section 771(5A)(D)(i) and (iii) of the Act. First, we examined the eligibility criteria contained in the law. The Regulation on Electricity Supply and KEPCO's Rate Regulations for Electric Service identified companies within a broad range of industries as eligible to participate in the electricity discount programs. With respect to the PFA, all general, educational, industrial, agricultural, midnight power, and temporary customers who have the necessary contract demand are eligible to participate in the discount program. Likewise, the VRA discount program is available to a wide variety of companies across all industries, provided that they have the required contract demand and can reduce their maximum demand by a certain percentage. Therefore, we preliminarily determine that the electricity programs are not *de jure* specific under section 771(5A)(D)(i) of the Act.

We then examined data on the distribution of assistance under these programs to determine whether the electricity discount programs meet the criteria for *de facto* specificity under section 771(5A)(D)(iii) of the Act. We found that discounts provided under the PFA and VRA were distributed to a large number of firms in a wide variety of industries. Given the data with respect to the large number of companies and industries which received electricity discounts under these programs during the POI, we preliminarily determine that the PFA and VRA programs are not *de facto* specific under section 771(5A)(D)(iii) of the Act. Therefore, we preliminarily determine that the PFA and VRA discount programs are not countervailable.

## III. Programs Preliminarily Determined To Be Not Used

Based on the information provided in the questionnaire response, we preliminarily determine that the companies under investigation either did not apply for or did not receive benefits under the following programs during the POI:

### *A. Excessive Duty Drawback*

Petitioners alleged that under the Korean Customs Act, Korean exporters may have been receiving an excessive abatement, exemption, or refund of import duties payable on raw materials used in the production of exported goods. The Department has found that the drawback on imported raw materials is countervailable when the raw materials are not physically incorporated into the exported item, and therefore, the amount of duty drawback is excessive. In *Steel Products from Korea*, we determined that certain Korean steel producers received excessive duty drawback because they received duty drawback at a rate that exceeded the rate at which imported inputs were actually used. *See* 58 FR at 37349.

The GOK reports that under Article 3 of *The Act on Special Cases concerning the Refundment of Customs Duties, etc. Levied on Raw Materials for Export*, the refund of duties only applies to imported raw materials that are consumed, *i.e.*, physically incorporated, into the finished merchandise. Items used to produce a product, but which do not become physically incorporated into the final product, do not qualify for duty drawback. The GOK reports that POSCO was the only producer/exporter of the subject merchandise which received duty drawback for inputs consumed in the production of the subject merchandise which was subsequently exported during the POI. The raw materials imported by POSCO to produce the subject merchandise that were eligible for duty drawback are nickel, chrome, and stainless steel scrap.

The GOK states that in order to determine the appropriate amount of duty drawback a producer/exporter is eligible to receive, the National Technology Institute (NTI) routinely conducts surveys of producers of exported products to obtain their raw material input usage rate for manufacturing one unit of output. In determining an input usage rate for a raw material, the NTI factors recoverable scrap into the calculation. In addition, the loss rate for each imported input is reflected in the input usage rate. The GOK states that the factoring of reusable scrap into usage rates is done routinely for all products under Korea's duty drawback regime. The NTI maintains a materials list for each product, and only materials and sub-materials that are physically incorporated into the final product are eligible for duty drawback. The NTI then compiles this information into a standard usage rate table which is used to calculate a producer/exporter's duty drawback eligibility. The NTI most recently completed a survey of POSCO in 1993. The GOK reports that since POSCO is the only producer of the subject merchandise, the standard input usage rate table for the subject merchandise is based on POSCO's actual production data.

The GOK states that there is no difference in the rate of import duty paid and the rate of drawback received. The rate of import duty is based on the imported materials and the rate of drawback depends on the exported merchandise and the usage rate of the imported materials. POSCO pays import duties based on the rate applicable to and the price of the imported raw material. POSCO then receives duty drawback based on the amount of that material consumed in the production of the finished product according to the

standard input usage rate. Accordingly, the rate at which POSCO receives duty drawback is the amount of import duty paid on the amount of input consumed in producing the finished product. In *Steel Products from Korea,* we determined that POSCO appropriately factored recovered scrap into its calculated usage rates. *See* 58 FR at 37349.

In the current investigation, the GOK and POSCO report that the company has not received duty drawback on imported raw materials that were not physically incorporated in the production of exported merchandise. They also state that the duty drawback rate applicable to POSCO is calculated in a manner which accounts for recoverable scrap. Based on the duty drawback studies provided in the response, the GOK has factored recoverable scrap into the calculation of input usage rates. In *Steel Products from Korea,* we found that when recoverable scrap is factored into the usage rate, the relevant loss and waste rates are not excessive. Based on these factors, we preliminarily determine that POSCO has not received excessive duty drawback.

*B. Tax Incentives for Highly-Advanced Technology Businesses Under the Foreign Investment and Foreign Capital Inducement Act*

*C. Reserve for Investment Under Article 43–5 of TERCL*

*D. Export Industry Facility Loans and Special Facility Loans*

*E. Export Insurance Rates Provided by the Korean Export Insurance Corporation*

## IV. Program Preliminarily Determined Not To Exist

Based on information provided by the GOK, we preliminarily determine that the following program does not exist:

*Unlimited Deduction of Overseas Entertainment Expenses*

In *Steel Products from Korea,* 58 FR at 37348–49, the Department determined that this program conferred benefits which constituted countervailable subsidies because the entertainment expense deductions were unlimited only for export business activities. In the present investigation, the GOK reported that Article 18–2(5) of the Corporate Tax Law, which provided that Korean exporters could deduct overseas entertainment expenses without any limits, was repealed by the revisions to the law dated December 29, 1995. According to the GOK, beginning with the 1996 fiscal year, a company's domestic and overseas entertainment expenses are deducted within the same aggregate sum limits as set by the GOK. As a result of the revision to the law, overseas entertainment expenses are now treated in the same fashion as domestic expenses in calculating a company's income tax. Therefore, we determine that this program is no longer in existence.

## Verification

In accordance with section 782(i)(1) of the Act, we will verify the information submitted by respondents prior to making our final determination.

## Summary

In accordance with section 703(d)(1)(A)(i) of the Act, we calculated an individual subsidy rate for POSCO, the sole manufacturer of the subject merchandise. We preliminarily determine that the total estimated net countervailable subsidy rate is 0.69 percent *ad valorem,* which is *de minimis.* Therefore, we preliminarily determine that no countervailable subsidies are being provided to the production or exportation of stainless steel plate in coils in Korea.

We also note that pursuant to section 705(a)(1) of the Act, this investigation is now aligned with the antidumping investigations of stainless steel plate in coils.

## ITC Notification

In accordance with section 703(f) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonproprietary information relating to this investigation. We will allow the ITC access to all privileged and business proprietary information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Assistant Secretary, Import Administration.

In accordance with section 705(b)(3) of the Act, if our final determination is affirmative, the ITC will make its final determination within 75 days after the Department makes its final determination.

## Public Comment

In accordance with 19 C.F.R. 351.310, we will hold a public hearing, if requested, to afford interested parties an opportunity to comment on this preliminary determination. The hearing is tentatively scheduled to be held 57 days from the date of publication of the preliminary determination at the U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230. Individuals who wish to request a hearing must submit a written request within 30 days of the publication of this notice in the **Federal Register** to the Assistant Secretary for Import Administration, U.S. Department of Commerce, Room 1870, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230. Parties should confirm by telephone the time, date, and place of the hearing 48 hours before the scheduled time.

Requests for a public hearing should contain: (1) The party's name, address, and telephone number; (2) the number of participants; and, (3) to the extent practicable, an identification of the arguments to be raised at the hearing. In addition, six copies of the business proprietary version and six copies of the nonproprietary version of the case briefs must be submitted to the Assistant Secretary no later than 50 days from the date of publication of the preliminary determination. As part of the case brief, parties are encouraged to provide a summary of the arguments not to exceed five pages and a table of statutes, regulations, and cases cited. Six copies of the business proprietary version and six copies of the nonproprietary version of the rebuttal briefs must be submitted to the Assistant Secretary no later than 55 days from the date of publication of the preliminary determination. An interested party may make an affirmative presentation only on arguments included in that party's case or rebuttal briefs. Written arguments should be submitted in accordance with 19 CFR 351.309 and will be considered if received within the time limits specified above.

This determination is published pursuant to sections 703(f) and 777(i) of the Act.

Dated: August 28, 1998.

**Joseph A. Spetrini,**

*Acting Assistant Secretary for Import Administration.*

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