Pursuant to 19 CFR 351.214 (g)(1)(i)(B) of the Department's regulations, the POR for a new shipper review initiated in the month immediately following the semiannual anniversary month will be the six–month period immediately preceding the semiannual anniversary month. Therefore, the POR for this review is June 1, 2001 through November 30, 2001.

Concurrent with the publication of this initiation notice, and in accordance with 19 CFR 351.214(e), effective on the date of publication of this notice, we will instruct the U.S. Customs Service to allow, at the option of the importer, the posting of a bond or security in lieu of a cash deposit at the existing PRC–wide rate of 139.49 percent for each entry of the subject merchandise exported by the company named above, until the completion of the review.

Interested parties may submit applications for disclosure of business proprietary information under administrative protective order in accordance with 19 CFR 351.305 and 351.306.

This initiation and notice are in accordance with section 751(a) of the Act (19 U.S.C. 1675(a)) and 19 CFR 351.214.

January 31, 2002

Joseph A. Spetrini,

Deputy Assistant Secretary for Import Administration, Group III.

[FR Doc. 02–3121 Filed 2–7–02; 8:45 am]

BILLING CODE 3510–DS–S

DEPARTMENT OF COMMERCE

International Trade Administration

[C–351–833]

Preliminary Negative Countervailing Duty Determination: Carbon and Certain Alloy Steel Wire Rod from Brazil

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

ACTION: Notice of preliminary negative countervailing duty determination.

SUMMARY: The Department of Commerce preliminarily determines that countervailable subsidies are not being provided to producers or exporters of carbon and certain alloy steel wire rod from Brazil.

EFFECTIVE DATE: February 8, 2002

FOR FURTHER INFORMATION CONTACT: Melani Miller or Jennifer Jones, Office of Antidumping/Countervailing Duty Enforcement, Group 1, Import Administration, U.S. Department of Commerce, Room 3099, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230; telephone (202) 482–0116 and (202) 482–4194, respectively.

SUPPLEMENTARY INFORMATION:

The Applicable Statute

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 effective January 1, 1995 (''the Act''). In addition, unless otherwise indicated, all citations to the Department's regulations are to 19 CFR Part 351 (April 2001).

Petitioners

The petitioners in this investigation are Co-Steel Raritan, Inc., GS Industries, Keystone Consolidated Industries, Inc., and North Star Steel Texas, Inc. (collectively, ''petitioners'').

Case History

The following events have occurred since the publication of the notice of initiation in the Federal Register. See Notice of Initiation of Countervailing Duty Investigations: Carbon and Certain Alloy Steel Wire Rod from Brazil, Canada, Germany, Trinidad and Tobago, and Turkey, 66 FR 49931 (October 1, 2001) (''Initiation Notice'').

On October 9, 2001, we issued countervailing duty (''CVD'') questionnaires to the Government of Brazil (''GOB'') and the producers/exporters of the subject merchandise. Due to the large number of producers and exporters of carbon and certain alloy steel wire rod (''wire rod'' or ''subject merchandise'') in Brazil, we decided to limit the number of responding companies to the three producers/exporters with the largest volumes of exports to the United States during the period of investigation: Companhia Siderurgica Belgo-Mineira (''Belgo Mineira''), Companhia Siderurgica de Tubarao (''CST''), and Gerdau S.A. (''Gerdau''). See October 9, 2001 memorandum to Susan Kuhbach, Respondent Selection, which is on file in the Department of Commerce's (''the Department's'') Central Records Unit in Room B–099 of the main Department building (''CRU'').

Also on October 9, we received a request from the petitioners to amend the scope of this investigation to exclude certain wire rod. The petitioners submitted further clarification with respect to their scope amendment request on November 28, 2001. Also on November 28, 2001, the five largest U.S. tire manufacturers and the industry trade association, the Rubber Manufacturers Association (''tire manufacturers''), submitted comments on the proposed exclusion. The tire manufacturers submitted further comments on January 28, 2002. See, infra, ''Scope Comments'' section.

On October 18, 2001, the petitioners filed a letter raising several concerns with respect to the Department's initiation of this investigation and the concurrent investigations in Canada, Germany, and Trinidad and Tobago. With respect to Brazil, the petitioners also re-alleged certain subsidy allegations. The Department initiated an investigation of one of these re-alleged programs on November 2, 2001, and issued a questionnaire with respect to this new subsidy allegation on November 5, 2001. The Department addressed most of the remaining concerns in a memo dated December 4, 2001. This memorandum is on file in the Department's CRU.

On October 22, 2001, CST notified the Department that it neither shipped nor manufactured the subject merchandise during the period of investigation (''POI''). We will verify this information prior to issuing the final determination in this investigation.

On November 14, 2001, we published a postponement of the preliminary determination of this investigation until February 1, 2002. See Carbon and Certain Alloy Steel Wire Rod From Brazil, Canada, Germany, Trinidad and Tobago, and Turkey: Postponement of Preliminary Determinations of Countervailing Duty Investigations, 66 FR 57036 (November 14, 2001).

The Department received the GOB and company responses to the Department's questionnaires (including the new subsidy allegation questionnaire) on November 29, 2001. On December 6, 2001, the petitioners submitted comments regarding these questionnaire responses. The Department issued supplemental questionnaires to the GOB and the companies on December 13, 2001, and received responses to those questionnaires on January 7 and January 14, 2002.

On December 5, 2001, the petitioners filed a critical circumstances allegation with respect to Brazil, Germany, and Turkey. Supplemental critical circumstances information and arguments relating to Brazil were filed by the petitioners on December 19, December 21, and December 27, 2001, and January 25, 2002; and by the respondents on January 10 and January 28, 2002. Additionally, comments on the critical circumstances allegations were filed on behalf of the American

Wire Producers Association on December 17, 2001. See, infra, ''Critical Circumstances'' section for a discussion on the Department's critical circumstances analysis for this preliminary determination.

Finally, both the petitioners and the respondents submitted comments on the upcoming preliminary determination on January 14 and January 18, 2002, respectively. In their January 14 submission, the petitioners made several new allegations that relate to several specific programs that we are investigating. Each allegation will be addressed infra in the ''Analysis of Programs'' section.

Period of Investigation

The period for which we are measuring subsidies is calendar year 2000.

Scope of Investigation

The merchandise covered by this investigation is certain hot-rolled products of carbon steel and alloy steel, in coils, of approximately round cross section, 5.00 mm or more, but less than 19.0 mm, in solid cross-sectional diameter.

Specifically excluded are steel products possessing the above-noted physical characteristics and meeting the Harmonized Tariff Schedule of the United States (''HTSUS'') definitions for (a) stainless steel; (b) tool steel; (c) high nickel steel; (d) ball bearing steel; and (e) concrete reinforcing bars and rods. Also excluded are (f) free machining steel products (i.e., products that contain by weight one or more of the following elements: 0.03 percent or more of lead, 0.05 percent or more of bismuth, 0.08 percent or more of sulfur, more than 0.04 percent of phosphorus, more than 0.05 percent of selenium, or more than 0.01 percent of tellurium). All products meeting the physical description of subject merchandise that are not specifically excluded are included in this scope.

The products under investigation are currently classifiable under subheadings 7213.91.3010, 7213.91.3090, 7213.91.4510, 7213.91.4590, 7213.91.6010, 7213.91.6090, 7213.99.0031, 7213.99.0038, 7213.99.0090, 7227.20.0010, 7227.20.0090, 7227.90.6051 and 7227.90.6058 of the HTSUS. Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of these investigations is dispositive.

Scope Comments

In the Initiation Notice, we invited comments on the scope of this proceeding. As noted above, on October 9, 2001, we received a request from the petitioners to amend the scope of this investigation and the companion CVD and antidumping duty (''AD'') wire rod investigations. Specifically, the petitioners requested that the scope be amended to exclude high carbon, high tensile 1080 grade tire cord and tire bead quality wire rod actually used in the production of tire cord and bead, as defined by specific dimensional characteristics and specifications.

On November 28, 2001, the petitioners further clarified and modified their October 9 request. The petitioners suggested the following five modifications and clarifications: (1) Expand the end-use language of the scope exclusion request to exclude 1080 grade tire cord and tire bead quality that is used in the production of tire cord, tire bead, and rubber reinforcement applications; (2) clarify that the scope exclusion requires a carbon segregation per heat average of 3.0 or better to comport with recognized industry standards; (3) replace the surface quality requirement for tire cord and tire bead with simplified language specifying maximum surface defect length; (4) modify the maximum soluble aluminum from 0.03 to 0.01 for tire bead wire rod; and (5) reduce the maximum residual element requirements to 0.15 percent from 0.18 percent for both tire bead and tire cord wire rod and add an exception for chromium-added tire bead wire rod to allow a residual of 0.10 percent for copper and nickel and a chromium content of 0.24 to 0.30 percent.

Also on November 28, 2001, the tire manufacturers submitted a letter to the Department in response to petitioners' October 9, 2001 submission regarding the scope exclusion. In this letter, the tire manufacturers supported the petitioners' request to exclude certain 1080 grade tire cord and tire bead wire rod used in the production of tire cord and bead.

Additionally, the tire manufacturers requested that the Department clarify whether 1090 grade was covered by the petitioners' exclusion request. The tire manufacturers further requested an exclusion from the scope of this investigation for 1070 grade wire rod and related grades (0.69 percent or more of carbon) because, according to the tire manufacturers, domestic production cannot meet the requirements of the tire industry.

The tire manufacturers stated their opposition to defining scope exclusions on the basis of actual end use of the product. Instead, the tire manufacturers support excluding the product if it is imported pursuant to a purchase order from a tire manufacturer or a tire cord wire manufacturer in the Untied States. Finally, the tire manufacturers urged the Department to adopt the following specifications to define the excluded product: A maximum nitrogen content of 0.0008 percent for tire cord and 0.0004 percent for tire bead; maximum weight for copper, nickel, and chromium, in the aggregate, of 0.0005 percent for both types of wire rod. In their view, there should be no additional specifications and tests, as proposed by the petitioners.

On January 28, 2002, the tire manufacturers responded to the petitioners' November 28, 2001 letter. The tire manufacturers continue to have three major concerns about the product exclusion requested by the petitioners. First, the tire manufacturers urge that 1070 grade tire cord quality wire rod be excluded (as it was in the 1999 Section 201 investigation). Second, they continue to object to defining the exclusion by actual end use. Finally, they reiterate their earlier position on the chemical specifications for the excluded product.

At this point in the proceeding, we recognize that the interested parties have both advocated excluding certain tire rod and tire core quality wire rod. However, the Department continues to examine this issue. Therefore, for this preliminary determination we have not amended the scope, and this preliminary determination applies to the scope as described in the Initiation Notice.

We plan to reach a decision as early as possible in these proceedings. Interested parties will be advised of our intentions prior to the final determination and will have the opportunity to comment.

Injury Test

Because Brazil 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 Brazil materially injure, or threaten material injury to, a U.S. industry. On October 15, 2001, the ITC transmitted to the Department its preliminary determination that there is a reasonable indication that an industry in the United States is being materially injured by reason of imports from Brazil of the subject merchandise. See Carbon and Certain Alloy Steel Wire Rod From Brazil, Canada, Egypt, Germany, Indonesia, Mexico, Moldova, South Africa, Trinidad and Tobago, Turkey, Ukraine, and Venezuela, 66 FR 54539 (October 29, 2001).

Critical Circumstances

The petitioners have alleged that critical circumstances within the meaning of section 703(e) of the Act exist with respect to the subject merchandise.

We need not address the critical circumstances allegation at this time. Because our preliminary determination is negative, we are not ordering a suspension of liquidation pursuant to section 703(d) of the Act. Consequently, retroactive suspension of liquidation pursuant to section 703(e)(2) of the Act is not applicable.

Changes in Ownership

On February 2, 2000, the U.S. Court of Appeals for the Federal Circuit (''CAFC'') in Delverde Srl v. United States, 202 F.3d 1360, 1365 (Fed. Cir. 2000), reh'g en banc denied (June 20, 2000) (''Delverde III''), rejected the Department's change-in-ownership methodology as explained in the General Issues Appendix of the Final Affirmative Countervailing Duty Determination: Certain Steel Products from Austria, 58 FR 37217, 37225 (July 9, 1993). The CAFC held that ''the Tariff Act, as amended, does not allow Commerce to presume conclusively that the subsidies granted to the former owner of Delverde's corporate assets automatically 'passed through' to Delverde following the sale. Rather, the Tariff Act requires that Commerce make such a determination by examining the particular facts and circumstances of the sale and determining whether Delverde directly or indirectly received both a financial contribution and benefit from the government.'' Delverde III, 202 F.3d at 1364.

Pursuant to the CAFC finding, the Department developed a new change-in-ownership methodology. This new methodology was first announced in a remand determination on December 4, 2000, and was also applied in Grain-Oriented Electrical Steel from Italy; Final Results of Countervailing Duty Administrative Review, 66 FR 2885 (January 12, 2001). Likewise, we have applied this new methodology in analyzing the changes in ownership in this preliminary determination.

The first step under this new methodology is to determine whether the legal person (entity) to which the subsidies were given is, in fact, distinct from the legal person that produced the subject merchandise exported to the United States. If we determine the two persons are distinct, we then analyze whether a subsidy has been provided to the purchasing entity as a result of the change-in-ownership transaction. If we find, however, that the original subsidy recipient and the current producer/exporter are the same person, then that person benefits from the original subsidies, and its exports are subject to countervailing duties to offset those subsidies. In other words, we will determine that a ''financial contribution'' and a ''benefit'' have been received by the ''person'' under investigation. Assuming that the original subsidy has not been fully amortized under the Department's normal allocation methodology as of the beginning of the POI, the Department would then continue to countervail the remaining benefits of that subsidy.

In making the ''person'' determination, where appropriate and applicable, we analyze factors such as (1) continuity of general business operations, including whether the successor holds itself out as the continuation of the previous enterprise, as may be indicated, for example, by use of the same name, (2) continuity of production facilities, (3) continuity of assets and liabilities, and (4) retention of personnel. No single factor will necessarily provide a dispositive indication of any change in the entity under analysis. Instead, the Department will generally consider the post-sale person to be the same person as the pre-sale person if, based on the totality of the factors considered, we determine the entity in question can be considered a continuous business entity because it was operated in substantially the same manner before and after the change in ownership.

We have preliminarily determined that Gerdau is the only respondent with changes in ownership requiring this type of analysis because no other respondent (or its predecessor) received subsidies prior to a change in ownership that were not fully expensed or allocated prior to the POI. For Gerdau, the two changes in ownership are Gerdau's acquisition of Cia Siderurgica do Nordeste (''Cosinor'') in 1991 and Gerdau's acquisition of Usina Siderurgica da Bahia S.A. (''Usiba'') in 1989.

We have not made a finding for the purposes of this preliminary determination as to whether pre-sale Cosinor and pre-sale Usiba are distinct persons from the respondent Gerdau. This is because the potential POI benefits for the pre-sale subsidies to Cosinor found in this preliminary determination (e.g., 1991 Debt-to-Equity Conversion Provided to Cosinor) are insignificant, amounting to 0.06 percent. Additionally, the POI benefits for any pre-sale subsidies found in this preliminary determination (e.g., 1988 Equity Infusions/Debt Forgiveness Provided to Usiba) are insignificant, amounting to 0.35 percent. Assuming, arguendo, that these pre-sale subsidies continued to benefit Gerdau in the POI, the preliminary ad valorem rate (reflecting, in full, any POI benefits of pre-sale subsidies) for Gerdau would be de minimis. Therefore, application of the change in ownership methodology is not relevant in this investigation.

However, we are seeking further information on potential subsidies Cosinor and Usiba may have received in addition to those found to be countervailable in this preliminary determination. Should we obtain any information subsequent to this preliminary determination indicating the final ad valorem rate for Gerdau would be above de minimis, we will give all parties sufficient opportunity to comment on whether and how Usiba's 1989 sale and Cosinor's 1991 sale affect the POI benefit to Gerdau of any pre-sale subsidies.

Subsidies Valuation Information

Allocation Period

Pursuant to 19 CFR 351.524(b), non-recurring subsidies are allocated over a period corresponding to the average useful life (''AUL'') of the renewable physical assets used to produce the subject merchandise. 19 CFR 351.524(d)(2) creates a rebuttable presumption that the AUL will be taken from the U.S. Internal Revenue Service's 1977 Class Life Asset Depreciation Range System (the ''IRS Tables''). For wire rod, the IRS Tables prescribe an AUL of 15 years. None of the responding companies or interested parties disputed this allocation period. Therefore, we have used the 15–year allocation period for all respondents.

Attribution of Subsidies

19 CFR 351.525(a)(6) directs that the Department will attribute subsidies received by certain affiliated companies to the combined sales of those companies. Based on our review of the responses, we find that ''cross ownership'' exists with respect to certain companies, as described below, and we have attributed subsidies accordingly.

Belgo Mineira: Belgo Mineira, the parent company, is responding on behalf of itself and its four manufacturing facilities at Montevade, Vitoria, Sabara, and Piracicaba (formerly Dedini Siderurgicia de Piracicaba (''Dedini'')). Belgo Mineira is also responding on behalf of one of its subsidiaries, Belgo Mineira Participacao Industria e Comercio S.A. (''BMP''),

which was formerly Mendes Junior Siderurgia S.A. (''Mendes Junior''). Belgo Mineira is a manufacturing company which is involved in all stages of steel production, including wire rod. BMP also produces wire rod.

In accordance with 19 CFR 351.525(b)(6)(i) and (ii) we are attributing any subsidies received by Belgo Mineira (including its above-noted production facilities) and BMP to the combined sales of these entities.

Belgo Mineira also reports that it has numerous other subsidiaries and affiliations with various companies. However, our analysis indicates no basis to attribute any subsidies received by these other subsidiaries or affiliates to the production of the subject merchandise. Specifically, although cross-ownership may exist with these other companies, they do not produce the subject merchandise as required in 19 CFR 351.525(b)(6), nor do they meet any of the other criteria specified in 19 CFR 351.525(b)(6).

Gerdau: Gerdau, the parent company, is responding on behalf of itself and its four manufacturing facilities at Aconorte, Cosigua, Riograndense, and Usiba, all of which produce the subject merchandise. Gerdau is also reporting on behalf of its parent company, Metalurgica Gerdau S.A., a holding company which owns 82.97 percent of Gerdau's shares. In accordance with 19 CFR 351.525(b)(6)(i) and (ii), we are attributing subsidies received by all of these entities to the combined total sales of Gerdau.

Gerdau produces a wide variety of products, such as civil construction products, industrial products, agricultural products, nails, metallurgy products, and specialty steel products, including wire rod. Our analysis indicates no basis to attribute any subsidies received by these other subsidiaries or affiliates to the production of the subject merchandise. Specifically, although cross-ownership may exist with these other companies, they do not produce the subject merchandise as required in 19 CFR 351.525(b)(6), nor do they meet any of the other criteria specified in 19 CFR 351.525(b)(6).

Gerdau has reported that it has an affiliate, Aco Minas Gerais S.A. (''Acominas''), which supplies billets to Cosigua for use in its wire rod production. Gerdau contends that, although Acominas provides inputs into the production process of the subject merchandise, cross-ownership does not exist between the two companies. Specifically, Gerdau argues that its equity holding in Acominas does not position Gerdau to ''use or direct the individual assets of'' Acominas ''in essentially the same way its uses its own assets'' as required for cross-ownership pursuant to 19 CFR 351.525(b)(6)(vi).

Based on our analysis, we preliminarily determine that, because of Gerdau's minority percentage of ownership of Acominas, Gerdau is not in a position to ''use or direct'' Acominas' individual assets as required by 19 CFR 351.525(b)(6)(vi). Thus, we have preliminarily determined that cross-ownership does not exist between Gerdau and Acominas pursuant to 19 CFR 351.525(b)(6)(vi).

Benchmarks for Loans and Discount Rates

Pursuant to 19 CFR 351.505(a) and 19 CFR 351.524(d)(3)(i), the Department will use as a long-term loan benchmark and a discount rate the actual cost of comparable long-term borrowing by the company, when available. 19 CFR 351.505(a)(2) defines a comparable commercial loan as one that, when compared to the government-provided loan in question, has similarities in the structure of the loan (e.g. fixed interest rate v. variable interest rate), the maturity of the loan (e.g. short-term v. long-term), and the currency in which the loan is denominated. In instances where no applicable company-specific comparable commercial loans are available, 19 CFR 351.505(a)(3)(ii) requires the Department to use a national average interest rate for comparable commercial loans.

Both Gerdau and Belgo Mineira have reported that they have loans from commercial lending institutions that can be used as benchmarks. Specifically, both Belgo Mineira and Gerdau report that they have commercial loans in certain years that can be used as benchmarks for the long-term, variable interest rate loans provided through the Financing for the Acquisition or Lease of Machinery and Equipment through the Special Agency for Industrial Financing (''FINAME'') program. Belgo Mineira has also reported short-term, variable interest rate commercial loans that can be used as the benchmark for its short-term, variable interest rate National Bank for Economic and Social Development (''BNDES'') Export Financing loans.

Belgo Mineira's commercial short-term loans were made in the same currency as the BNDES Export Financing loans. Therefore, because the Belgo Mineira short-term, variable interest rate loans are comparable to the government loans pursuant to 19 CFR 351.505(a)(2), we are using these loans as the benchmark for Belgo Mineira's BNDES Export Financing loans.

The long-term commercial loans reported by Belgo Mineira and Gerdau are similar in maturity and structure to the government loans being provided by the GOB. However, the proposed benchmark commercial loans were reported in U.S. dollars, whereas the FINAME long-term, variable interest rate loans were denominated in Brazilian currency.

As stated in 19 CFR 351.505(a)(2), it is the Department's preference when choosing a comparable commercial loan for benchmark purposes to have a benchmark rate that is denominated in the same currency as the government-provided loan. The Department has found in past Brazilian CVD cases, however, that there were no long-term commercial loans made in Brazilian currency that could be used as benchmark or discount rates because BNDES was the only Brazilian institution that provided long-term Brazilian-currency denominated loans. See, e.g., Final Affirmative Countervailing Duty Determination: Certain Cold Rolled Flat-Rolled Carbon-Quality Steel Products from Brazil, 65 FR 5538 (February 4, 2000) (''Brazil Cold-Rolled Steel''), Final Affirmative Countervailing Duty Determination: Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products from Brazil, 64 FR 38741 (July 19, 1999) (''Brazil Hot-Rolled Steel''), and Final Affirmative Countervailing Duty Determinations: Certain Steel Products from Brazil, 58 FR 37295 (July 9, 1993) (''Brazil Certain Steel'').

In those same cases, the Department determined that the most reasonable way to deal with the lack of an appropriate Brazilian long-term benchmark rate was to use data for U.S. dollar lending in Brazil for long-term non-guaranteed loans from private lenders as published in the World Bank Debt Tables: External Finance for Developing Countries (''World Bank Debt Tables''). See, e.g., Brazil Certain Steel, Brazil Hot-Rolled Steel; and Final Affirmative Countervailing Duty Determination: Steel Wire Rod from Venezuela, 62 FR 55014, 55019, 55023 (October 21, 1997).

In the instant investigation the Department has found, as it has in the past, that there are no similar long-term loans made in Brazilian currency. Therefore, consistent with the Department's past practice of employing benchmarks denominated in different currencies, we are using a weight-average rate from the dollar-denominated variable rate commercial loans as the benchmark for Gerdau and

Belgo Mineira for the years in which they had such loans. In years for which this benchmark is not available, pursuant to 19 CFR 351.505(a)(3)(ii) and consistent with past Brazilian cases as noted above, we are using as a benchmark for comparison purposes long-term interest rate data from the World Bank Debt Tables.

Additionally, because we have found one of Gerdau's subsidiary companies, Usiba, to be uncreditworthy in 1988 (see, infra, section on ''Creditworthiness''), we have calculated for Usiba only a long-term uncreditworthy discount rate for 1988 in accordance with 19 CFR 351.524(c)(3)(ii).

In accordance with 19 CFR 351.524(d)(3)(ii), the discount rate for companies considered uncreditworthy is the rate described in 19 CFR 351.505(a)(3)(iii). According to 19 CFR 351.505(a)(3)(iii), to calculate that rate, the Department must specify values for four variables: (1) the probability of default by an uncreditworthy company; (2) the probability of default by a creditworthy company; (3) the long-term interest rate for creditworthy borrowers; and (4) the term of the debt.

For the probability of default by an uncreditworthy company, we have used the average cumulative default rates reported for the Caa- to C-rated category of companies as published in Moody's Investors Service, ''Historical Default Rates of Corporate Bond Issuers, 1920–1997'' (February 1998). For the probability of default by a creditworthy company, we used the cumulative default rates for investment grade bonds as published in Moody's Investor Services: ''Statistical Tables of Default Rates and Recovery Rates'' (February 1998). For the commercial interest rate charged to creditworthy borrowers, we used the World Bank Debt Tables, discussed above. For the term of the debt, we used 15 years because all of the non-recurring subsidies examined were allocated over a 15–year period.

Equityworthiness

Section 771(5)(E)(i) of the Act and 19 CFR 351.507 state that, in the case of a government-provided equity infusion, a benefit is conferred if an equity investment decision is inconsistent with the usual investment practice of private investors. 19 CFR 351.507 states that the first step in determining whether an equity investment decision is inconsistent with the usual investment practice of private investors is examining whether, at the time of the infusion, there was a market price for similar newly-issued equity. If so, the Department will consider an equity infusion to be inconsistent with the usual investment practice of private investors if the price paid by the government for newly-issued shares is greater than the price paid by private investors for the same, or similar, newly-issued shares.

If actual private investor prices are not available, then, pursuant to 19 CFR 351.507(a)(3)(i), the Department will determine whether the firm funded by the government-provided infusion was equityworthy or unequityworthy at the time of the equity infusion. In making the equityworthiness determination, pursuant to 19 CFR 351.507(a)(4), the Department will normally determine that a firm is equityworthy if, from the perspective of a reasonable private investor examining the firm at the time the government-provided equity infusion was made, the firm showed an ability to generate a reasonable rate of return within a reasonable time. To do so, the Department normally examines the following factors: 1) objective analyses of the future financial prospects of the recipient firm; 2) current and past indicators of the firm's financial health; 3) rates of return on equity in the three years prior to the government equity infusion; and 4) equity investment in the firm by private investors.

19 CFR 351.507(a)(4)(ii) further stipulates that the Department will ''normally require from the respondents the information and analysis completed prior to the infusion, upon which the government based its decision to provide the equity infusion.'' Absent an analysis containing information typically examined by potential private investors considering an equity investment, the Department will normally determine that the equity infusion provides a countervailable benefit. This is because, before making a significant equity infusion, it is the usual investment practice of private investors to evaluate the potential risk versus the expected return, using the most objective criteria and information available to the investor.

The individual equityworthiness analyses relating to any equity programs being examined in the instant investigation are in the program-specific ''Analysis of Programs'' sections, below.

Creditworthiness

The examination of creditworthiness is an attempt to determine if the company in question could obtain long-term financing from conventional commercial sources. See 19 CFR 351.505(a)(4). According to 19 CFR 351.505(a)(4)(i), the Department will generally consider a firm to be uncreditworthy if, based on information available at the time of the government-provided loan, for example, the firm could not have obtained long-term loans from conventional commercial sources. In making this determination, according to 19 CFR 351.505(a)(4)(i), the Department normally examines the following four types of information: 1) the receipt by the firm of comparable commercial long-term loans; 2) present and past indicators of the firm's financial health; 3) present and past indicators of the firm's ability to meet its costs and fixed financial obligations with its cash flow; and 4) evidence of the firm's future financial position. With respect to item number one, above, it is the Department's practice to not consider in the case of a government-owned firm the receipt of comparable commercial loans as being dispositive of a firm's likely ability to obtain long-term commercial credit. This is because, in the Department's view, in the case of a government-owned firm, a bank is likely to consider that the government will repay the loan in the event of a default. See Countervailing Duties; Final Rule, 63 FR 65348, 65367 (November 28, 1998).

In the Initiation Notice, we initiated a creditworthiness investigation for Usiba for 1988 only. In its questionnaire responses, Gerdau does not challenge the creditworthiness of Usiba in 1988, and does not provide a response to the Department's questions relating to Usiba's creditworthiness in 1988. Therefore, because Gerdau has not provided information requested by the Department pursuant to section 776(a)(2), we are, as facts available, preliminarily determining that Usiba was uncreditworthy in 1988. Thus, any non-recurring benefits received by Usiba in 1988 which are also attributable to Gerdau have been allocated using an uncreditworthy discount rate.

Analysis of Programs

Based upon our analysis of the petition and the responses to our questionnaires, we determine the following:

I. Programs Preliminarily Determined to Be Countervailable

A. Financing for the Acquisition or Lease of Machinery and Equipment through the Special Agency for Industrial Financing

The FINAME program, which is administered through BNDES and agent banks throughout Brazil, was established in 1966 by Decree No. 59.170 of September 2, 1966 and Decree/Law No. 45 of November 18,

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

Both Belgo Mineira and Gerdau received loans through this program that had interest and principal outstanding during the POI. Specifically, Belgo Mineira has reported that it has FINAME loans outstanding during the POI that originated in each year from 1995 through 2000, and Gerdau has reported that it has FINAME loans outstanding during the POI from 1990 and in each year from 1993 through 2000.

We preliminarily determine that FINAME loans are specific because they constitute an import substitution subsidy within the meaning of 771(5A)(C) of the Act because, although these loans are available for machinery and equipment manufactured outside of Brazil, most loans for the acquisition of merchandise are made for Brazilian-produced merchandise. Additionally, loans to lease equipment are limited only to Brazilian-produced machinery. We also preliminarily determine that these FINAME loans provide a financial contribution in the form of a direct transfer of funds as described in section 771(5)(D)(i) of the Act.

Finally, we determine that a benefit exists for loans originating in certain years for both Belgo Mineira and Gerdau pursuant to section 771(5)(E)(ii) of the Act. According to 19 CFR 351.505(a)(5), in order to determine whether long-term variable interest rate loans confer a benefit, the Department first compares the variable benchmark interest rate to the rate on the government-provided loan for the year in which the government loan terms were established. For instance, for a FINAME loan originating in 1993, we compare the FINAME interest rate in 1993 to the rate on the comparable commercial loans also originating in 1993.

According to 19 CFR 351.505(a)(5), if the comparison shows that the interest rate on the government-provided loan was equal to or higher than the interest rate on the comparable commercial loan, the Department will determine that the government-provided loan did not confer a benefit. However, if the interest rate in the year of origination of the government-provided loan was lower than the origination-year interest rate on the comparable commercial loan, the Department will examine that loan in the POI to measure the benefit.

In this instance, only Gerdau reported the FINAME loan rates for some of the years in which its loans originated. Specifically, Gerdau has reported FINAME loan interest rates for loans originating in 1995 through 2000. Based on a comparison of the origination year interest rates of the FINAME and the benchmark loans, we found that the government loan rates were lower than the benchmark rates in 1997 through 2000. However, the government loan rates were higher than the benchmark rates in 1995 and 1996. Thus, we preliminarily determine that no benefit exists according to 19 CFR 351.505(a)(5) for the 1995 and 1996 FINAME loans. With respect to the 1997 through 2000 loans, because the government loan rates were preferential when compared with the benchmark rates in those years, we preliminarily determine that a benefit was conferred through these loans as described in 19 CFR 351.505(a)(5), and that the Gerdau FINAME loans that originated in 1997 through 2000 constitute a countervailable subsidies pursuant to section 771(5) of the Act. Thus, as is further discussed below, we will calculate a benefit during the POI in accordance with 19 CFR 351.505(c)(4).

Belgo Mineira did not provide FINAME loan interest rates by year of origination for the loans it received from 1995 through 2000. Additionally, Gerdau did not provide origination year FINAME loan rates for its loans from 1990, 1993, and 1994.

Therefore, we were unable to make the comparison described in 19 CFR 351.505(a)(5), noted above. Instead, we determined whether a benefit existed, as well as the amount of the benefit, by calculating the difference between the amount actually paid on the outstanding loans during the POI and the amount the firms would have paid on a comparable commercial loan during the POI consistent with 19 CFR 351.505(c)(4). Based on this comparison, we preliminarily determine that Belgo Mineira received a benefit on all FINAME loans outstanding during the POI. For Gerdau, we preliminarily determine that Gerdau received a benefit on all FINAME loans taken out in 1993, 1994, and 1997 through 2000.

To calculate the POI subsidy amount, we divided the total POI benefit from these loans for each company by each company's total sales during the POI. Accordingly, we preliminarily determine that a countervailable benefit of 0.01 percent ad valorem exists for Gerdau and a countervailable benefit of 0.00 percent ad valorem exists for Belgo Mineira.

B. Programa de Financiamento as Exportacoes (''PROEX'')

The PROEX program, which allows Brazilian companies to finance exports on terms consistent with the international market, is administered by the Banco do Brasil. PROEX funding is available to Brazilian companies involved in exporting only. PROEX funds are available in two forms: 1) PROEX Financing, which involves the direct financing of a company's exports and 2) PROEX Equalization, which reimburses certain interest costs to Brazilian exporters.

Under the PROEX Equalization program, exporters discount their receivables with a private lender. After payment is collected by the private bank from the customer, the GOB remits to the bank the difference between the financing costs collected from the exporter and the financing costs that would have been collected based on international financial rates at the time. The private bank then forwards this differential to the Brazilian company. Thus, the Banco do Brasil, in effect, reimburses the exporter for the part of the financing costs actually incurred so that the net financial costs to the Brazilian company are consistent with financial expenses incurred in the international market.

During the POI, neither Gerdau nor Belgo Mineira utilized the PROEX Financing program; Gerdau also did not use the PROEX Equalization program. However, Belgo Mineira did use the PROEX Equalization program during the POI.

We preliminarily determine that the PROEX Equalization program constitutes an export subsidy pursuant to 771(5A)(B) of the Act because equalization funds are provided only for export-related activities. We furthermore preliminarily determine that PROEX equalization funds provided by the GOB through this program constitute a financial contribution as described in section 771(5)(D)(i) of the Act and a corresponding benefit in the amount of equalization funds received.

Because the interest reimbursement reasonably can be anticipated by the exporter at the time the loan is taken

out, we are treating these equalization payments as reduced-rate loans in accordance with 19 CFR 351.508(c)(2). Thus, to calculate the subsidy rate for Belgo Mineira, we divided the total equalization payments received by Belgo Mineira during the POI by Belgo Mineira's export sales during the POI. On this basis, we preliminarily determine that a countervailable benefit of 0.01 percent ad valorem exists for Belgo Mineira.

The GOB has argued in its response that these equalization payments are not countervailable because they fall within the exemption provided by 19 CFR 351.516(a)(1), i.e., that the equalization payments merely serve to equate financing terms to those commercially available on world markets. We preliminarily disagree with this claim because the exception applies only to ''products,'' and we do not view export financing loans as products.

C. Tax Incentives Provided by Amazon Region Development Authority (''SUDAM'') and the Northeast Region Development Authority (''SUDENE'')

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

During the POI, only Gerdau used the SUDENE program. Neither Gerdau nor Belgo Mineira reported using the SUDAM program.

A tax benefit is a financial contribution as described in section 771(5)(D)(ii) of the Act which provides a benefit to the recipient in the amount of the tax savings pursuant to section 771(5)(E) of the Act and 19 CFR 351.509(a)(1). Moreover, we preliminarily determine that SUDENE tax benefits are de jure specific pursuant to section 771(5A)(D)(ii) of the Act because

SUDENE tax benefits are limited to operations in the Northeast Region. Therefore, we find these benefits to constitute a countervailable subsidy.

In calculating the benefit, consistent with 19 CFR 351.524(c)(1), we treated the tax savings as a recurring benefit and divided the tax savings received by Gerdau during the POI by Gerdau's total sales during the POI. On this basis, we preliminarily determine that a countervailable benefit of 0.28 percent ad valorem exists for Gerdau.

D. Gerdau

1. 1988 Equity Infusions/Debt Forgiveness Provided to Usina Siderurgica da Bahia S.A.

In 1988, as part of the Federal Privatization Program established by decree No. 95866/88, SIDERBRAS began a privatization program for Usiba. As part of the privatization program, SIDERBRAS restructured Usiba's debt in a debt for equity swap. According to Usiba's 1988 Financial Statement, SIDERBRAS ''cleans{ed}'' past due debt of US$79.6 million in exchange for increased equity. The responses to our questionnaire further indicate that SIDERBRAS made additional investments in Usiba in 1986, 1987 and 1989, for the following amounts: $US 6,799,395.57; $US 17,424,755.80; and $US 48,241.80, respectively.

Ultimately, the Usiba privatization program culminated in the company's being sold at auction in October 1999 to Gerdau. BNDES Particapacoes S.A.-BNDESPAR (''BNDESPAR''), a subsidiary of BNDES, was responsible for administering the privatization of Usiba, as well as other companies being privatized under the Federal Privatization Program. As part of these privatizations, BNDESPAR hired private consultants to set minimum share prices based on the company's discounted cash flow. Additionally, certain requirements were set to qualify potential bidders based on residency, economic capacity, and prior business success. After having its bid accepted, a purchasing company could complete the transaction through BNDES by paying 30 percent of the purchase price down and 70 percent of the purchase price on an installment basis at 12 percent per year.

Neither the GOB nor Gerdau are contesting the unequityworthiness of Usiba at the time of the 1988 infusion, and neither respondent provided a response to the Department's questions relating to Usiba's equityworthiness in 1988. Therefore, because neither Gerdau nor the GOB has provided information requested by the Department pursuant to section 776(a)(2), as facts available, we preliminarily determine that under section 771(5)(E)(i) of the Act and 19 CFR 351.507(a), the 1988 equity infusion into Usiba conferred a benefit because the infusion was not consistent with the usual investment practices of private investors. Furthermore, the 1988 infusion constitutes a financial contribution within the meaning of section 771(5)(D)(i) of the Act. Finally, the 1988 equity infusion is specific within the meaning of section 771(5A)(D)(i) of the Act because it was limited to Usiba. Accordingly, we find that this equity infusion confers a countervailable subsidy within the meaning of section 771(5) of the Act.

Assuming, arguendo, that this subsidy is properly assigned to Gerdau (see, supra, related discussion in ''Changes in Ownership'' section), we have treated the 1988 debt-for-equity swap as a benefit to Usiba in the amount of the equity infusion pursuant to 19 CFR 351.507(a)(6). Because Usiba was uncreditworthy in 1988, the year in which the equity infusion was received, we used the uncreditworthy discount rate described in the ''Subsidies Valuation Information'' section, above. We divided the amount allocated to the POI by Gerdau's sales during the POI and preliminarily determine the net subsidy to be 0.35 percent ad valorem for Gerdau.

Regarding the 1989 equity infusion into Usiba for $US 48,241.80, which was reported by the GOB in its January 8, 2002 supplemental response, we note that, under 19 CFR 351.524(b)(2), if the total amount of a non-recurring subsidy is less than 0.5 percent of the recipient's sales during the year in which the subsidy was approved, then the benefit under the program will be allocated to the year of receipt. Thus, although we have incomplete information on the nature of the 1989 transaction, if we assume, arguendo, that the 1989 equity infusion is countervailable, then the benefit received thereunder would be completely allocated to the year of receipt pursuant to 19 CFR 351.524(b)(2) with no benefit remaining in the POI.

Regarding the 1986 and 1987 equity infusions into Usiba also reported by the GOB in its January 8, 2002 response, we find that there is a reasonable basis to believe or suspect that Usiba was unequityworthy in 1986 and 1987. Specifically, the 1989 ''Usiba Pre-qualification Notice for Interested Parties,'' published as part of the GOB's Federal Program of Privatization, indicates that Usiba operated at a significant net loss during 1986 and

1987. While we do not currently have enough information to analyze these infusions for the preliminary determination, based on the above analysis and pursuant to section 775(1) of the Act, we will be requesting additional information on the nature of these infusions and on Usiba's equityworthiness during these years prior to the final determination.

Finally, regarding the BNDES financing provided to Gerdau for its purchase of Usiba, we note that this program potentially constitutes a direct transfer of funds under section 771(5)(D)(i) of the Act. Furthermore, a comparison of the interest rate charged on the loan to contemporaneous commercial interest rates in Brazil as discussed in the ''Subsidies Valuation Information'' section, above, indicates that a benefit may have been provided to Gerdau. Therefore, although we also do not currently have enough information to fully analyze this program for the preliminarily determination, we will be requesting additional information on the nature of this program prior to the final determination pursuant to section 775(1) of the Act.

2. 1991 Debt-to-Equity Conversion Provided to Cia Siderurgica do Nordeste (previously referred to as 1991 Debt Forgiveness Provided to Cia Siderurgica do Nordeste)

In 1991, the GOB, through BNDES and BNDESPAR, converted as much as US$12.8 million of Cosinor's debt into equity. In return for this forgiveness of debt, BNDES received 8,965,103 common shares of Cosinor stock, and BNDESPAR received 4,806,439 common shares of Cosinor stock, for a total of 13,771,542 shares of Cosinor common stock.

We preliminarily determine that this debt-to-equity conversion is specific pursuant to section 771(5A)(D)(i) of the Act because it was limited only to Cosinor. We also preliminarily determine that this debt-to-equity conversion constitutes a financial contribution pursuant to section 771(5)(D)(i) of the Act in the form of a direct transfer of funds.

Regarding the benefit to Cosinor, neither Gerdau nor the GOB contests that Cosinor was unequityworthy in 1991, and neither provided the information the Department would need to make an equityworthiness determination. Therefore, because neither Gerdau nor the GOB has provided information requested by the Department, as facts available, pursuant to section 776(a)(2), we preliminarily determine that Cosinor was unequityworthy. Consequently, the 1991 debt-to-equity conversion conferred a benefit upon Cosinor pursuant to section 771(5)(E)(i) of the Act because this debt-to-equity conversion was not consistent with the usual investment practices of private investors.

Assuming, arguendo, that this subsidy is properly assigned to Gerdau (see, infra, related discussion in ''Change in Ownership'' section), we first had to determine the actual amount of debt converted by the GOB. In its response, Gerdau reported three different possible amounts, stating that the exact amount was not known because of the age of the transaction and the inability of Gerdau and the GOB to obtain related records. We have preliminarily determined that $12.8 million is the appropriate amount of the debt that was converted based on references in the Privatization Notice for this company.

To calculate the subsidy rate, we divided the amount of the debt conversion attributable to Gerdau during the POI by Gerdau's total sales during the POI. On this basis, we preliminarily determine that a countervailable benefit of 0.06 percent ad valorem exists for Gerdau.

With respect to the capital increases reported in Cosinor's financial statements through the injection of ''shareholders' funds'' in 1987, 1988, and 1989, based on the information on the record, there is a reasonable basis to believe or suspect that Cosinor was unequityworthy in 1987 through 1989. Specifically, Cosinor's financial statements show that Cosinor operated at a loss in all of those years. Furthermore, in the September 1991 Public Notice announcing Cosinor's sale, it states that ''Cosinor did not revert its loss curve during all of the period in which it was under government control.'' This Public Notice also cites to ''Cosinor's incapacity of transforming its operations into economical-financial results'' as justification for privatizing the company. Finally, because the GOB was the majority shareholder in Cosinor prior to its privatization, it is reasonable to assume that the ''shareholder'' that made the contributions or advances to Cosinor was the GOB.

While we do not currently have enough information to analyze these infusions for the preliminary determination, based on the above analysis and pursuant to section 775(1) of the Act, we will be requesting additional information on the nature of these infusions and on Cosinor's equityworthiness during these years prior to the final determination.

II. Programs Preliminarily Determined to Be Not Countervailable

A. BNDES Export Financing

BNDES provides three types of export loans (''exim loans'') to exporters meeting certain criteria: (1) Pre-shipment loans, (2) Special Pre-shipment loans, and (3) Post-shipment loans. Pre-shipment loans are linked to specific export shipments. Special Pre-shipment loans are not linked to specific export shipments but rather are granted to exporters who pledge to increase exports. BNDES only grants special pre-shipment loans to a company that has previously exported and seems in a likely position to increase exports. Post-shipment loans finance the export sales of goods or services abroad by financing an exporter's accounts receivable.

A company may apply directly to BNDES or through agent banks to receive BNDES exim loans. However, regardless of a company's application method, exim loans are disbursed through agent banks rather than directly to the recipient company. BNDES long-term exim loans are provided in either Brazilian reals or in foreign currency, usually US dollars.

The terms of these loans are determined by the agent bank after evaluating a company's creditworthiness and the proposed use of the loan. The interest rate for exim loans is determined by either the London Interbank Offered Rate (''LIBOR'') or the official long-term interest rate (''TJLP''), which is set periodically by the Brazilian Central Bank, plus a basic spread of 1 percent or 2 percent, which is paid to BNDES. If an agent bank provides a guarantee to BNDES, then the basic spread is 1 percent. If no such guarantee is provided, then the basic spread is 2 percent. Additionally, the agent bank charges an additional spread which is negotiated with the borrowing company. This spread covers, inter alia, any cost associated with administering the loan.

Belgo Mineira had certain long-term Brazilian real and short-term U.S. dollar denominated loans outstanding during the POI. Because all of the long-term Brazilian real loans were initially received during 2000, no payments were due during the POI. Therefore, we preliminarily determine that no benefit exists for the long-term Brazilian real loans during the POI. (See 19 CFR 351.505(c)(2).)

Regarding Belgo Mineira's U.S. dollar-denominated loans, the interest rate on the BNDES loans exceeds the benchmark. Therefore, we preliminarily determine that BNDES U.S. dollar-

denominated short-term export financing does not confer a benefit during the POI under section 771(5)(E)(ii) of the Act.

B. Reduction of Urban Building and Land Tax (''IPTU'')

The IPTU tax in Brazil is administered by each individual municipality in Brazil. Thus, the collection of the IPTU tax is the responsibility of each municipality, and any individual tax exemption results from direct negotiations between the municipality and the recipient of the exemption. Gerdau did not receive an IPTU tax exemption during the POI. However, one municipality in Minas Gerais offered an IPTU tax concession to Belgo Mineira during the POI. Specifically, the city of Sabara provided a 50 percent reduction of IPTU taxes beginning in 1996 through 2003 to Belgo Mineira's facility in the city of Sabara. This tax abatement was given to Belgo Mineira as payment for a parcel of land Belgo Mineira transferred to Sabara.

In comparing the net present value of the tax abatement and the value of the land, we found that these values are approximately equivalent. Additionally, it is the Department's practice in situations where any benefit to the subject merchandise would be so small that there would be no impact on the overall subsidy rate, regardless of a determination of countervailability, to not determine whether benefits conferred under these programs to the subject merchandise are countervailable. (See, e.g., Live Cattle From Canada; Final Negative Countervailing Duty Determination, 64 FR 57040, 57055 (October 22, 1999).) In this instance, any benefit to the subject merchandise resulting from these transactions would be so small that there would be no impact on the overall subsidy rate, regardless of a determination of countervailability. Thus, consistent with our past practice, we do not consider it necessary to determine whether benefits conferred thereunder to the subject merchandise are countervailable.

C. Gerdau BNDES Financing for the Acquisition of Acominas

In 1999, Acominas, Gerdau, and BNDES agreed on a modernization program in which Acominas issued a total of 165,501,872,821 shares of common stock to the public for R$339 million. At the same time, Gerdau agreed to purchase 79,769,148,475 shares of Acominas common stock for R$164 million. Acominas agreed to use this investment for the purchase of new machinery in order to modernize and improve the Acominas production facilities.

Based on Acominas' pledge to use the funding in the above manner, BNDES agreed to provide Gerdau with a FINEM loan, typically intended to finance capacity expansions or modernizations, to provide Gerdau with the necessary funds for the Gerdau investment in Acominas. Normally, BNDES makes these loans available at variable interest rates dependent on the credit rating of the borrower and the size of the project. The Acominas FINEM loan to Gerdau covered a period of over six years and consisted of four sub-credits all with different conditions for repayment and financing.

We preliminarily determine that this type of FINEM loan, including the loan Gerdau received to invest in Acominas, is widely available to all producers in Brazil. Moreover, the steel industry received only 4.7 percent of the funds distributed under this program. In light of the shares received by other industries (e.g., 33.7 percent by the mail/telecommunications sector, 13.9 percent by the electricity/gas/water sector, and 8.2 percent by the automotive vehicle sector) the steel sector is not a predominant or disproportionate user of the program. Therefore, we preliminarily determine that this program, and FINEM loans in general, are not specific within the meaning of section 771(5A) of the Act.

D. Belgo Mineira BNDES Financing for the Acquisition of Mendes Junior Siderurgia S.A.

Mendes Junior operated a steel mill in the state of Minas Gerais. In 1995, because Mendes Junior could no longer service its existing debt obligation, it entered into negotiations with Belgo Mineira. Mendes Junior and Belgo Mineira reached an agreement in which Belgo Mineira would lease Mendes Junior's facility in the state of Minas Gerais. In 1998, Belgo Mineira negotiated an agreement with BNDES in which BNDES transferred Mendes Junior's debt to Belgo Mineira in exchange for R$98 million in debentures and certain other rights, the details of which are proprietary. At the point of the BNDES negotiation, Mendes Junior's debt was categorized by BNDES as a non-performing loan.

The debentures issued by Belgo Mineira to BNDES in this transaction are for a term of 12 years at the interest rate of TJLP plus 3 percent. Belgo Mineira has not received any payment from Mendes Junior toward the debt acquired from BNDES and has made no efforts to recover this debt from Mendes Junior. Furthermore, the agreement between BNDES and Belgo Mineira is structured so that if Belgo Mineira reached agreement with other creditors of Mendes Junior on terms more favorable than those included in the BNDES-Belgo Mineira agreement, then Belgo Mineira would compensate BNDES in the amount of the difference.

We preliminarily determine that this transaction between BNDES and Belgo Mineira is not countervailable. We find that the amount paid by Belgo Mineira to BNDES for the acquisition of Mendes Junior's debt is not less than the amount Belgo Mineira paid to the other Mendes Junior creditors. Thus, BNDES sold the debt on commercial terms. Furthermore, the interest rate being paid by Belgo Mineira on its debentures, TJLP plus 3 percent, is a commercial rate. Therefore, we preliminarily determine that no benefit exists under section 771(5)(E)(ii) of the Act. As a result, we find the transaction between BNDES and Belgo Mineira related to the acquisition of Mendes Junior's debt to be not countervailable.

III. Programs Preliminarily Determined Not To Have Been Used

Based on the information provided in the responses, we determine no responding companies applied for or received benefits under the following programs during the POI:

A. Amazonia Investment Fund (''FINAM'') and Northeast Investment Fund (''FINOR'') Tax Subsidies

B. Constitutional Funds for Financing Productive Sectors in the Northeast, North, and Midwest Regions (Fundos Constitucionais de Financiamento do Nordeste, do Norte, e do Centro-Oeste)

C. Fiscal Incentives for Regional Development (Provisional Measure No. 1532 of Dec. 18, 1996)

D. Accelerated Depreciation

IV. Program Preliminarily Determined to Have Been Terminated

Based on the information provided in the responses, we preliminarily determine that the following program has been terminated:

Exemption of Import Duties, the Industrial Products Tax (''IPI''), the Merchandise Circulation Tax (''ICMS''), and the Merchant Marine Renewal Tax (''AFRMM'') on the Imports of Spare Parts and Machinery

V. Program Preliminarily Determined to Not Exist

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

A. BNDES Programa de Modernizacao de Siderurgia Brasilera - Fund for the Modernization of the Steel Industry

B. Belgo Mineira BNDES Financing for the Acquisition of Dedini Siderurgicia de Piracicaba

In 1998, Belgo Mineira purchased 51 percent of Dedini. Prior to this transaction, Belgo Mineira owned 49 percent of the outstanding shares in Dedini. Although the petitioners alleged that Belgo Mineira purchased the remaining 51 percent of Dedini using preferential loans from BNDES, the GOB confirmed that Belgo Mineira used no BNDES financing for this purchase. Based on these facts, we determine that BNDES financing for the acquisition of Dedini does not exist.

Verification

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

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 for Import Administration.

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

Public Comment

Case briefs for this investigation must be submitted no later than one week after the issuance of the last verification report. Rebuttal briefs must be filed within five days after the deadline for submission of case briefs. A list of authorities relied upon, a table of contents, and an executive summary of issues should accompany any briefs submitted to the Department. Executive summaries should be limited to five pages total, including footnotes. Section 774 of the Act provides that the Department will hold a public hearing to afford interested parties an opportunity to comment on arguments raised in case or rebuttal briefs, provided that such a hearing is requested by an interested party. If a request for a hearing is made in this investigation, the hearing will tentatively be held two days after the deadline for submission of the rebuttal briefs at the U.S. Department of Commerce, 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.

Interested parties who wish to request a hearing, or to participate if one is requested, must submit a written request to the Assistant Secretary for Import Administration, U.S. Department of Commerce, Room 1870, within 30 days of the publication of this notice. Requests should contain: (1) the party's name, address, and telephone number; (2) the number of participants; and (3) a list of the issues to be discussed. Oral presentations will be limited to issues raised in the briefs.

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

February 2, 2002

Faryar Shirzad,

Assistant Secretary for Import Administration.

[FR Doc. 02–3118 Filed 2–7–02; 8:45 am]

BILLING CODE 3510–DS–S

DEPARTMENT OF COMMERCE

International Trade Administration

[C–489–809]

Preliminary Negative Countervailing Duty Determination: Carbon and Certain Alloy Steel Wire Rod From Turkey

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

ACTION: Notice of preliminary negative countervailing duty determination.

SUMMARY: The Department of Commerce preliminarily determines that countervailable subsidies are not being provided to producers or exporters of carbon and certain alloy steel wire rod from Turkey.

EFFECTIVE DATE: February 8, 2002.

FOR FURTHER INFORMATION CONTACT: Jennifer D. Jones or S. Anthony Grasso, Office of Antidumping/Countervailing Duty Enforcement, Group 1, Import Administration, U.S. Department of Commerce, Room 3099, 14th Street and Constitution Avenue, N.W., Washington,D.C. 20230; telephone (202) 482–4194 and (202) 482–3853, respectively.

SUPPLEMENTARY INFORMATION:

The Applicable Statute

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 of Commerce's (''the Department's'') regulations are to 19 CFR Part 351 (April 2001).

Petitioners

The petitioners in this investigation are Co-Steel Raritan, Inc., GS Industries, Keystone Consolidated Industries, Inc., and North Star Steel Texas, Inc. (collectively, ''petitioners'').

Case History

The following events have occurred since the publication of the notice of initiation in the Federal Register. See Notice of Initiation of Countervailing Duty Investigations: Carbon and Certain Alloy Steel Wire Rod from Brazil, Canada, Germany, Trinidad and Tobago, and Turkey, 66 FR 49931 (October 1, 2001) (''Initiation Notice'').

On October 9, 2001, we issued countervailing duty (''CVD'') questionnaires to the Government of the Republic of Turkey (''GRT'') and the producers/exporters of the subject merchandise. Due to the large number of producers and exporters of carbon and certain alloy steel wire rod (''wire rod'' or ''subject merchandise'') in Turkey, we decided to limit the number of responding companies to the two producers/exporters with the largest volumes of exports to the United States during the period of investigation: Colakoglu Metalurji, A.S. (''Colakoglu'') and Habas Sinai ve Tibbi Gazlar Istihsal Endustrisi, A.S. (''Habas''). See October 5, 2001 memorandum to Susan Kuhbach, Respondent Selection, which is on file in the Department's Central Records Unit in Room B–099 of the main Department building (''CRU'').

Also on October 9, we received a request from the petitioners to amend the scope of this investigation to exclude certain wire rod. The petitioners submitted further clarification with respect to their scope amendment request on November 28, 2001. Additionally on November 28, the five largest U.S. tire manufacturers and the industry trade association, the Rubber Manufacturers Association (''the tire manufacturers''), submitted comments on the proposed exclusion. Counsel for the GRT and the companies submitted comments on this scope amendment request also on November