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.

[FR Doc. 98–23911 Filed 9–3–98; 8:45 am]

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DEPARTMENT OF COMMERCE

International Trade Administration

[C–475–823]

Preliminary Affirmative Countervailing Duty Determination and Alignment of Final Countervailing Duty Determination With Final Antidumping Duty Determination: Stainless Steel Plate in Coils From Italy

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

EFFECTIVE DATE: September 4, 1998.

FOR FURTHER INFORMATION CONTACT: Cynthia Thirumalai or Craig W. Matney, Office of AD/CVD Enforcement, Group 1, Office 1, Import Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230; telephone: (202) 482–4087 or 482–1778, respectively.

Preliminary Determination

The Department of Commerce (the Department) preliminarily determines that countervailable subsidies are being provided to producers and exporters of stainless steel plate in coils from Italy. For information on the estimated countervailing duty rates, please see the *Suspension of Liquidation* section of this notice.

Petitioners

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

Case History

Since the publication of the notice of initiation in the **Federal Register** (*see Notice of Initiation of Countervailing Duty Investigation: Certain 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 April 30, 1998, we issued countervailing duty questionnaires to the Government of Italy (GOI), the European Commission (EC), and the producers/exporters of the subject merchandise. On June 1, 1998, we postponed the preliminary determination of this investigation until 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 GOI, the EC, and Acciai Speciali Terni S.p.A. (AST) (the sole producer/exporter of subject merchandise during the POI to the United States) between June 19 and June 26, 1998. On July 15 and 16, 1998, we issued supplemental questionnaires to the GOI, the EC and AST. We received responses to these supplemental questionnaires between July 29 and August 3, 1998.

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 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 investigation 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 (HTSUS) 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 HTSUS subheadings are provided for convenience and customs purposes, the written description of the merchandise under investigation is dispositive.

Injury Test

Because Italy 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 Italy 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 Italy 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 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 Duty Investigations: Stainless Steel Plate in Coils from Belgium, Canada, Italy, Republic of South Africa, South 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.

Corporate History of Respondent AST

Prior to 1987, Terni, S.p.A, (Terni), a main operating company of Finsider, was the sole producer of stainless steel plate in coils (SSPC) in Italy. Finsider was a holding company that controlled all state-owned steel companies in Italy. Finsider, in turn, was wholly-owned by a government holding company, Istituto per la Ricostruzione Industriale (IRI). As part of a restructuring in 1987, Terni transferred its assets to a new company, Terni Acciai Speciali (TAS).

In 1988, another restructuring took place in which Finsider and its main operating companies (TAS, Italsider, and Nuova Deltasider) entered into liquidation and a new company, ILVA S.p.A. (ILVA) was formed. ILVA took over some of the assets and liabilities of the liquidating companies. With respect to TAS, part of its liabilities and the majority of its viable assets, including all the assets associated with the production of SSPC, were transferred to ILVA on January 1, 1989. ILVA itself became operational on the same day. Part of TAS' remaining assets and liabilities were transferred to ILVA on April 1, 1990. After that date, TAS no longer had any manufacturing activities. Only certain non-operating assets remained in TAS.

From 1989 to 1994, ILVA consisted of several operating divisions. The Specialty Steels Division, located in Terni, produced subject merchandise. ILVA was also the majority owner of a large number of separately incorporated subsidiaries. The subsidiaries produced various types of steel products and also included service centers, trading companies, and an electric power company, among others. ILVA together with its subsidiaries constituted the ILVA Group. The ILVA Group was wholly-owned by IRI. (For purposes of the grant expense test (*i.e.*, 0.5 percent test) and the 1994 change in ownership calculations, we used ILVA Group's financial information).

In October 1993, ILVA entered into liquidation. On December 31, 1993, two of ILVA Group's divisions were removed and separately incorporated: AST and ILVA Laminati Piani (ILP). The balance of ILVA's holdings remained in ILVA Residua. IVLA's Specialty Steels Division was transferred to AST while its carbon steel flat products operations were placed in ILP. The remainder of ILVA's assets and liabilities, along with much of the redundant workforce, were transferred to ILVA Residua.

In December 1994, AST was sold to KAI Italia S.r.L. (KAI), a privately-held holding company jointly owned by German steelmaker Hoesch-Krupp (50 percent) and a consortium of private Italian companies called FAR Acciai (50 percent). Between 1995 and the POI, there were several restructurings/ changes in ownership of AST and its parent companies. As a result, at the end of the POI, AST was owned 75 percent by Krupp Thyssen Stainless GmbH and 25 percent by Fintad.

Affiliated Parties

The information presently on the record of this investigation does not permit us to make a determination as to whether any companies currently affiliated with AST are sufficiently related to it to warrant treating them as a single company. As a result, we limited our analysis to those potential benefits received by AST itself. However, for the final determination, we will examine this issue more critically.

Change in Ownership

In the 1993 investigations of Certain Steel Products, we developed a methodology with respect to the treatment of non-recurring subsidies received prior to the sale of a company. *See Final Countervailing Duty Determination; Certain Steel Products from Austria, et. al.*, 58 FR 37217 (July 9, 1993) (*Certain Steel from Austria*). This methodology was set forth in the *General Issues Appendix* (*GIA*) at 37226, appended to *Certain Steel from Austria*. The methodology was subsequently upheld by the Federal Circuit. *See Saarstahl AG v. United States*, 78 F.3d 1539 (Fed. Cir. 1996); *British Steel plc v. United States*, 127 F.3d 1471 (Fed. Cir. 1997).

Under the *GIA* methodology, we estimate the portion of the company's purchase price which is attributable to prior subsidies. To make this estimate, we divide the face value of the company's subsidies by the company's net worth in the years preceding the sale of the company. To make these calculations, we go back in time to a period corresponding to the company's allocation period (see below for a discussion of allocation period). We then take the simple average of these ratios, which serves as a reasonable surrogate for the percentage that subsidies constitute of the overall value, *i.e.*, net worth, of the company. Next, we multiply this average ratio by the purchase price of the company to derive the portion of the purchase price that we estimate to be a repayment of prior subsidies. Then, the benefit streams of the prior subsidies are reduced by the ratio of the repayment amount to the net present value of all remaining benefits at the time of the change in ownership.

In the URAA, Congress clarified how the Department should approach changes in ownership. Section 771(5)(F) of the Act states that:

> A change in ownership of all or part of a foreign enterprise or the productive assets of a foreign enterprise does not by itself require a determination by the administrating authority that a past countervailable subsidy received by the enterprise no longer continues to be countervailable, even if the change in ownership is accomplished through an arm's length transaction.

The Statement of Administrative Action accompanying the URAA, reprinted in H.R. Doc. No. 103–316 (1994) (SAA) explains why section 771(5)(F) was added to the statute. The SAA at page 928 states:

> Section 771(5)(F) is being added to clarify that the sale of a firm at arm's length does not automatically, and in all cases, extinguish any prior subsidies conferred. Absent this clarification, some might argue that all that would be required to eliminate any countervailing duty liability would be to sell subsidized productive assets to an unrelated party. Consequently, it is imperative that the implementing bill correct such an extreme interpretation.

We have continued to follow the methodology developed in the *GIA* based on our determination that this methodology does not conflict with the change in ownership provision of the URAA. As stated by the Department, ''[t]he URAA is not inconsistent with and does not overturn the Department's General Issues Appendix Methodology. * * *'' *Certain Hot-Rolled Lead and Bismuth Carbon Steel Products from the United Kingdom; Final Results of Countervailing Duty Administrative Review*, 61 FR 58377, 58379 (Nov. 14, 1996) (*UK Lead Bar 94*). We further clarified in *UK Lead Bar 94* that, ''[t]he language of Sec. 771(5)(F) of the Act purposely leaves discretion to the Department with regard to the impact of a change in ownership on the countervailability of past subsidies.'' *Id.* at 58379. AST, the GOI and the EC have all expressed the opinion that the sale of AST to a private consortium in an arm's length transaction extinguished all prior subsidies. However, information on this record provides no basis for distinguishing the sale of AST from other sales that we have analyzed under the *GIA* methodology. *See, e.g., Final Affirmative Countervailing Duty Determination: Steel Wire Rod From Trinidad and Tobago*, 62 FR 55003 (October 22, 1997) (*Wire Rod from Trinidad and Tobago*), *Final Affirmative Countervailing Duty Determination: Steel Wire Rod from Canada*, 62 FR 54972 (October 22, 1997) and *Final Affirmative Countervailing Duty Determination: Stainless Steel Wire Rod from Italy*, 63 FR 40474 (July 29, 1998) (*Wire Rod from Italy*). Therefore, we have applied the methodology set forth in the *GIA* for the 1994 privatization. Furthermore, we note that after the 1994 privatization of AST, there were numerous changes in the ownership structure of the company; however, we do not have all the information necessary for the preliminary determination to determine whether it is appropriate to apply our change in ownership methodology for these later transactions.

Subsidies Valuation Information

Benchmarks for Long-term Loans and Discount Rates: Consistent with the Department's finding in *Wire Rod from Italy* at 40476–77, we have based our long-term benchmarks and discount rates on the Italian Bankers' Association (ABI) rate. Because the ABI rate represents a long-term interest rate provided to a bank's most preferred customers with established low-risk credit histories, commercial banks typically add a spread ranging from 0.55 percent to 4 percent onto the rate for other customers depending on their financial health.

In years in which AST or its predecessor companies were creditworthy, we added the average of that spread onto the ABI rate to calculate a nominal benchmark rate. In years in which AST or its predecessor companies were uncreditworthy, we calculated the discount rates according to the methodology described in the *GIA* at 37227. Specifically, we added to the ABI rate a spread of 4 percent in order to reflect the highest commercial interest rate available to companies in Italy. We then added to this rate a risk premium equal to 12 percent of the ABI.

Additionally, information on the record of this case indicates that published ABI rates do not include amounts for fees, commissions and other borrowing expenses. Since such expenses raise the effective interest rate that a company would experience and it is the Department's practice to use effective interest rates, where possible, we are including an amount for these expenses in the calculation of our effective benchmark rates. While we do not have information on the expenses that would be applied to long-term commercial loans, information on the record shows that borrowing expenses on overdraft loans range from 6 to 11 percent of interest charged. For purposes of this preliminary determination, we are assuming that the level of borrowing expenses on overdraft loans approximates the level on long-term commercial loans. Accordingly, we are increasing the nominal benchmark rate by 8.5 percent, representing the average reported level of borrowing expenses, to arrive at an effective benchmark rate.

Allocation Period: In the past, the Department has relied upon information from the U.S. Internal Revenue Service on the industry-specific average useful life of assets in determining the allocation period for non-recurring subsidies. *See GIA,* 58 FR at 37227. 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) ruled against this allocation methodology. In accordance with the Court's remand order in that case, 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*). As a result of this decision, the Department changed its policy so that it determines 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* by examining information submitted by AST regarding its average useful life of assets. In the course of this examination, however, the Department has noted several features of AST's financial records that are incompatible with the use of company-specific AUL. For instance, the financial statements indicate that the depreciation schedules for at least some of AST's assets may not reflect the actual estimated useful life of those assets. Moreover, information contained in AST's and its predecessors' financial statements and questionnaire responses suggests that the gross value of AST's non-renewable physical assets has been written down during the period upon which AST's AUL calculation is based.

Therefore, for the purposes of this preliminary determination, we are using an AUL of 15 years, as derived from industry-specific data from the U.S. Internal Revenue Service. We will, however, seek additional information regarding the useful life of AST's assets at verification, and will reconsider this methodology for the final determination.

Equityworthiness

In analyzing whether a company is equityworthy, the Department considers whether that company could have attracted investment capital from a reasonable private investor in the year of the government equity infusion, based on information available at that time. *See GIA* at 37244. Our review of the record has not led us to change our finding in *Final Affirmative Countervailing Duty Determination: Grain-Oriented Electrical Steel from Italy,* 59 FR 18357 (April 18, 1994), (*Electrical Steel from Italy*), in which we found AST's predecessors unequityworthy from 1984 through 1988, and from 1991 through 1992.

In measuring the benefit from a government equity infusion into an unequityworthy company, the Department compares the price paid by the government for the equity to a market benchmark, if such a benchmark exists. In this case, a market benchmark does not exist so we used the methodology described in the *GIA* at 37239. *See, also, Wire Rod from Trinidad and Tobago,* 62 FR 55004. Following this methodology, equity infusions made on terms inconsistent with the usual practice of a private investor are treated as grants. Use of this methodology is based on the premise that an unequityworthiness finding by the Department is tantamount to saying that the company could not have attracted investment capital from a reasonable investor in the infusion year; this determination is based on the information available in that year.

Creditworthiness

When the Department examines whether a company is creditworthy, it is essentially attempting to determine if the company in question could obtain commercial financing at commonly available interest rates. *See, e.g., Final*

Affirmative Countervailing Duty Determinations: Certain Steel Products from France, 58 FR 37304 (July 9, 1993) (*Certain Steel from France*); *Final Affirmative Countervailing Duty Determination: Steel Wire Rod from Venezuela,* 62 FR 55014 (Oct. 21, 1997).

Terni, TAS and ILVA were found to be uncreditworthy from 1983 through 1993 in *Electrical Steel from Italy* at 18358 and *Wire Rod from Italy* at 40477. No new information has been presented in this investigation that would lead us to reconsider these findings. Therefore, consistent with our past practice, we continue to find Terni, TAS and ILVA uncreditworthy from 1985 through 1993. *See, e.g., Final Affirmative Countervailing Duty Determinations: Certain Steel Products from Brazil,* 58 FR 37295, 37297 (July 9, 1993).

I. Programs Preliminarily Determined To Be Countervailable

Programs of the Government of Italy

A. Equity Infusions to Terni and ILVA

The GOI, through IRI, provided new equity capital to Terni or ILVA in every year from 1984 through 1992, except in 1989 and 1990. We preliminarily determine that these equity infusions constitute countervailable subsidies within the meaning of section 771(5) of the Act. These equity infusions provide a financial contribution, as described in section 771(5)(D)(i) of the Act, and these investments were not consistent with the usual investment practices of private investors (*see* the *Equityworthiness* section above). Because these equity infusions were limited to Finsider and its operating companies and ILVA, we preliminarily determine that they are specific within the meaning of section 771(5A)(D) of the Act.

AST did not report, in its response to our questionnaires, the 1988 equity infusion provided to ILVA. We have public information from *Electrical Steel from Italy* on the existence and amount of this infusion and are including it in our calculations for the preliminary determination.

We have treated these equity infusions as non-recurring grants given in the year the infusion was received because each required a separate authorization. Because Terni and ILVA were uncreditworthy in the years of receipt, we used discount rates that include a risk premium to allocate the benefits over time. Additionally, we followed the methodology described in the *Change in Ownership* section above to determine the amount of each equity infusion appropriately allocated to AST after its privatization. We divided this amount by AST's total sales during the POI. Accordingly, we preliminarily determine the countervailable subsidy to be 5.59 percent ad valorem for AST.

B. Benefits From the 1988–90 Restructuring (called Debt Forgiveness: Finsider-to-ILVA Restructuring in Initiation Notice)

As discussed above in the *Corporate History* section of this notice, the GOI liquidated Finsider and its main operating companies in 1988 and assembled the group's most productive assets into a new operating company, ILVA. In 1990, additional assets and liabilities of TAS, Italsider and Finsider went to ILVA.

Not all of TAS' liabilities were transferred to ILVA; rather, many remained with TAS and had to be repaid, assumed or forgiven. In 1989, Finsider forgave 99,886 million lire of debt owed to it by TAS. Even with this debt forgiveness, a substantial amount of liabilities left over from the 1990 transfer of assets and liabilities to ILVA remained with TAS. In addition, losses associated with the transfer of assets to ILVA were left behind in TAS. These losses occurred because the value of the transferred assets had to be written down. As TAS gave up assets whose book value was higher than their appraised value, it was forced to absorb the losses. These losses were generated during two transfers as reflected in: (1) an extraordinary loss in TAS' 1988 Annual Report and (2) a reserve against anticipated losses posted in 1989 with respect to the 1990 transfer.

Consistent with our treatment of the 1988–90 restructuring in *Electrical Steel from Italy* at 18359, we preliminarily determine that the debt and loss coverage provided to ILVA constitutes a countervailable subsidy within the meaning of section 771(5) of the Act. The debt and loss coverage provide a financial contribution as described in section 771(5)(D)(i) of the Act. Because this debt and loss coverage was limited to TAS, AST's predecessor, we preliminarily determine that it is specific within the meaning of section 771(5A)(D) of the Act.

In calculating the benefit from this program, we followed our methodology in *Electrical Steel from Italy* except for a correction of a calculation error which had the effect of double-counting the write-down from the first transfer of assets in 1988 by including it in the calculations of losses generated upon the second transfer of assets in 1990. We have treated Finsider's 1989 forgiveness of TAS' debt and the loss resulting from the 1989 write-down as grants received in 1989. The second asset write down and the debt outstanding after the 1990 transfer were treated as grants received in 1990. We find these benefits to be non-recurring since AST did not receive them on an on-going basis. Because ILVA was uncreditworthy in these years, we used discount rates that include a risk premium to allocate the benefits over time. In addition, we find the debt and loss coverage to be untied subsidies which benefit all of ILVA. Finally, we followed the methodology described in the *Change in Ownership* section above to determine the amount of each benefit appropriately allocated to AST after its privatization. We divided this amount by AST's total sales during the POI. Accordingly, we preliminarily determine the countervailable subsidy to be 3.61 percent *ad valorem* for AST.

C. Debt Forgiveness: ILVA-to-AST (included are the following programs from the *Initiation Notice:* Working Capital Grants to ILVA, 1994 Debt Payment Assistance by IRI, and ILVA Restructuring and Liquidation Grant)

As of December 31, 1993, the majority of ILVA's manufacturing activities had been separately incorporated into either AST or ILP, ILVA Residua was primarily a shell company with liabilities far exceeding assets. In contrast, AST and ILP, now ready for privatization, had operating assets and relatively modest debt loads.

The liabilities remaining with ILVA Residua after the spin-off of AST and ILP had to be repaid, assumed, or forgiven. AST has stated that IRI, in accordance with Italian Civil Code, bears responsibility for all liabilities remaining in ILVA Residua. Furthermore, information submitted by AST indicates that the EC has approved IRI's plan to cover ILVA Residua's remaining liabilities when its final liquidation occurs.

Although this debt has yet to be eliminated by any specific act of the GOI or its holding company IRI, we preliminarily determine that AST (and consequently the subject merchandise) received a countervailable subsidy in 1993 when the bulk of ILVA's debt was placed in ILVA Residua, rather than being placed with AST and ILP.

The placing of this debt with ILVA Residua was equivalent to debt forgiveness for AST. The debt forgiveness provides a financial contribution, as described in section 771(5)(D)(i) of the Act because, in relieving AST of a proportional share of ILVA's liabilities, the GOI eliminated an obligation that AST otherwise would bear. Because the debt forgiveness was received only by AST and its sister company, ILP, we preliminarily determine that it is specific under section 771(5A)(D) of the Act.

As noted above, certain operating assets and non-operating assets (*e.g.*, cash, bank deposits) remained in ILVA Residua. Presumedly, these assets have been or will be used to fund repayment of ILVA Residua's liabilities. In order to account for the fact that certain assets that could be liquidated at full value, namely cash and bank deposits, were left behind in ILVA Residua, we have subtracted this amount from the liabilities outstanding after the 1993 restructuring. For the final determination, we intend to examine further the liquidation of ILVA Residua's assets as well as any liquidation costs not represented on ILVA Residua's 1993 financial statements. Additionally, we have subtracted the amount of debt (*i.e.*, 253 billion lire) that was tied to Cogne Acciai Speciali (CAS), an ILVA subsidiary privatized in 1993, which was left behind in ILVA. *See Wire Rod from Italy* at 40478. We have attributed ILVA Residua's remaining liabilities to AST based on the proportion of assets assigned to AST to the total assets assigned to AST and ILP and considered this amount as debt forgiveness.

We treated the debt forgiveness to AST as a non-recurring grant because it was a one-time, extraordinary event. The discount rate we used in our grant formula included a risk premium based on our determination that ILVA was uncreditworthy in 1993. (For purposes of the final determination we will examine the issue of whether it is more appropriate to analyze the creditworthiness of AST rather than ILVA in 1993.) We followed the methodology described in the *Change in Ownership* section above to determine the amount appropriately allocated to AST after its privatization. We divided this amount by AST's total sales during the POI. Accordingly, we determine the estimated net subsidy to be 4.19 percent *ad valorem* for AST.

D. Law 796/76: Exchange Rate Guarantees

Law 796/76 established a program to minimize the risk of exchange rate fluctuations on foreign currency loans. All firms that had contracted foreign currency loans from the European Coal and Steel Community (ECSC) or the Council of Europe Resettlement Fund (CER) could apply to the Ministry of the Treasury (MOT) to obtain an exchange rate guarantee. The MOT, through the Ufficio Italiano di Cambi (UIC), calculated loan payments based on the lira-foreign currency exchange rate in effect at the time the loan was approved. The program established a floor and ceiling for exchange rate fluctuations, limiting the maximum fluctuation a borrower would face to 2 percent. If the lira depreciated against the foreign currency, AST was still able to purchase foreign currency at the established ceiling rate, and the UIC would absorb a loss in the amount of the difference between the ceiling rate and the actual rate. If the lira appreciated against the foreign currency, the UIC would realize a gain in the amount of the difference between the floor rate and the actual rate.

This program was terminated effective July 10, 1992 by Decree Law 333/92. However, the exchange rate guarantees continue on any loans outstanding after that date. AST received benefits from this program on interest and principal payments for two ECSC loans outstanding during the POI.

We preliminarily determine that this program constitutes a countervailable subsidy within the meaning of section 771(5) of the Act. This program provides a financial contribution, as described in section 771(5)(D)(i) of the Act, to the extent that the lira depreciates against the foreign currency beyond the 2 percent band. When this occurs, the borrower receives a benefit in the amount of the difference between the 2 percent floor and the actual exchange rate. The GOI did not provide information regarding the nature of the enterprises who have used this program as requested. However, we have previously found the steel industry to be a dominant user of the exchange rate guarantees provided under Law 796/76 and, on this basis, preliminarily determine that the program is specific under section 771(5A)(D) of the Act. *See Final Affirmative Countervailing Duty Determination: Small Diameter Circular Seamless Carbon and Alloy Steel Standard, Line and Pressure Pipe From Italy*, 60 FR 31996 (June 19, 1995). No new information or evidence of changed circumstances has been submitted in this proceeding to warrant reconsideration of this finding.

Once a loan is approved for exchange rate guarantees, access to foreign exchange at the established rate is automatic and occurs at regular intervals throughout the life of the loan. Therefore, we have treated benefits under this program as recurring grants. The benefit was calculated as the difference between the total payment due (*i.e.*, the sum of interest, principal, and any guarantee fees paid by AST) in foreign currency converted at the current exchange rate minus the total payment due in foreign currency at the established (ceiling) rate. We divided this amount by AST's total sales during the POI. Accordingly, we determine the countervailable subsidy to AST for this program to be 0.86 percent *ad valorem*.

E. Law 675/77

Law 675/77 was designed to provide GOI assistance in the restructuring and reconversion of Italian industries. There are six types of assistance available under this law: (1) Grants to pay interest on bank loans; (2) mortgage loans provided by the Ministry of Industry (MOI) at subsidized interest rates; (3) grants to pay interest on loans financed by IRI bond issues; (4) capital grants for the South; (5) VAT reductions on capital good purchases for companies in the South; and (6) personnel retraining grants. During the POI, AST received assistance under grants to pay interest on loans financed by IRI bond issues.

Under Law 675/77, IRI issued bonds to finance restructuring measures of companies within the IRI group. The proceeds from the sale of the bonds were then re-lent to IRI companies. During the POI, AST had two outstanding loans financed by IRI bond issues for which the effective interest rate was reduced by interest contributions made by the GOI. In addition to interest contributions on these variable rate long-term loans, the GOI also made other financial contributions relating to ''expenses'' associated with the loans.

We preliminarily determine that these loans constitute a countervailable subsidy within the meaning of section 771(5) of the Act. These loans provide a financial contribution, consistent with section 771(5)(D)(i) of the Act.

With regard to specificity, a number of different industrial sectors have received benefits under Law 675/77. However, in *Electrical Steel from Italy*, the Department determined that assistance under this law was specific on the basis of dominant use. This determination was based on the fact that the steel industry received 34 percent of the benefits. See *Electrical Steel from Italy* at 18361. In the instant proceeding, the GOI submitted additional information regarding the distribution of benefits under this program. While it is unclear whether this information reflects the distribution of benefits at the time the subsidies in question were received, the new information is nevertheless consistent with the previous finding of specificity.

To measure the benefit from these loans, we compared the benchmark interest rate to the amounts paid by AST on these loans during the POI. We divided the resulting difference by AST's total sales during the POI.

Accordingly, we determine the estimated net subsidy from this program to be 0.10 percent *ad valorem*.

F. Pre-Privatization Employment Benefits (Law 451/94)

Law 451/94 authorized early retirement packages for Italian steel workers from 1994–1996. The program, as described by the GOI, was designed to comply with the EC's reorganization of the iron and steel industry, specifically in regards to reducing productive capacity. The law entitled men of at least 50 years of age and women of 47 years of age with at least 15 years of pension contributions to retire early. AST's employees made use of this program in each year from 1994 through 1996.

In *Wire Rod from Italy,* we determined that large Italian companies such as AST cannot simply lay off workers, but instead must use one of the GOI's special early retirement programs. Hence we reviewed the early retirement programs that would be widely used by Italian companies in order to compare those programs to the program established under Law 451. In *Wire Rod from Italy,* we determined that the closest program to that of Law 451 is the Cassa Integrazione Guadagni (CIG) program. Like Law 451, CIG is available to workers whose companies are restructuring, reorganizing, and/or downsizing.

Unlike Law 451, the CIG program was not developed for particular Italian industries and is used by a wide variety of them. Therefore, CIG serves as a benchmark to determine what costs AST would have incurred in laying off employees had it not been able to take advantage of Law 451. Under CIG, a company must pay a small percentage of the employees' salaries and continue to set aside the mandatory severance contributions under Article 2120 of the Italian Civil Code for 3 years. However, under Law 451, the employee/company relationship terminates immediately, and the company does not have to continue to set aside these benefits. Consequently, Law 451 relieves steel companies of costs that otherwise would incur if they participated in more widely available early retirement programs.

We preliminarily determine that the early retirement benefits provided under Law 451/94 are a countervailable subsidy under section 771(5) of the Act. We find that this program provides a financial contribution, as described in section 771(5)(D)(i) of the Act, because Law 451 relieves the company of costs it would have normally incurred. Because Law 451 was developed for and exclusively used by the steel industry, we preliminarily determine that Law 451 is specific within the meaning of section 771(5A)(D) of the Act.

Consistent with the Department's practice, we have treated benefits to AST under Law 451 as recurring grants expensed in the year of receipt. *See GIA* at 37226 and *Wire Rod from Italy* at 40480. To calculate the benefit received by AST, we found the difference between the costs AST would have incurred during the POI had it used the CIG program and the costs it did incur under Law 451. We divided this benefit by AST's total sales during the POI. Accordingly, we determine the countervailable subsidy for this program to be 0.23 percent *ad valorem* for AST.

Programs of the European Union

G. ECSC Article 54 Loans

Article 54 of the 1951 ECSC Treaty established a program to provide industrial investment loans directly to the iron and steel industries to finance modernization and the purchase of new equipment. Eligible companies apply directly to the EU for up to 50 percent of the cost of an industrial investment project. The Article 54 loan program is financed by loans taken out by the European Union (EU), which are then refinanced at slightly higher interest rates than those at which the EU obtained them. AST had two long-term, fixed-rate loans outstanding during the POI under this program.

We preliminarily determine that these loans constitute a countervailable subsidy within the meaning of section 771(5) of the Act. This program provides a financial contribution, as described in section 771(5)(D)(i) of the Act. The Department has found Article 54 loans to be specific in several proceedings, including *Electrical Steel from Italy* at 18362 and *Certain Steel from Italy* at 37335 because loans under this program are provided only to iron and steel companies. The EU has also indicated on the record of this investigation that Article 54 ECSC loans are for steel undertakings. Thus, no new information or evidence of changed circumstances has been submitted in this proceeding to warrant reconsideration of our previous finding that this program is specific.

AST had two long-term, fixed-rate loans outstanding during the POI, each one denominated in a foreign currency. Consistent with *Electrical Steel from Italy* at 18362, we have used the lira-denominated interest rate discussed in the *Subsidies Valuation Information* section of this notice as our benchmark interest rate. The interest rate charged on one of AST's two ECSC loans was lowered part way through the life of the loan. Therefore, for the purpose of calculating the benefit, we have treated this loan as if it were contracted on the date of this rate adjustment. We used the outstanding principal as of that date as the new principal amount, to which the new, lower interest rate applied. As our interest rate benchmark, we used the long-term, lira-based rate in effect on the date of the downward rate adjustment.

To calculate the benefit under this program, we employed the Department's standard long-term loan methodology. We calculated the grant equivalent and allocated it over the life of each loan. We followed the methodology described in the *Change in Ownership* section above to determine the amount appropriately allocated to AST after its privatization. We divided this benefit by AST's total sales during the POI. Accordingly, we determine the countervailable subsidy to AST for these to loans together to be 0.13 percent *ad valorem*.

H. European Social Fund

The European Social Fund (ESF), one of the Structural Funds operated by the EU, was established to improve workers' opportunities through training and to raise their standards of living throughout the community by increasing their employability. Like other EU structural funds, there are five different Objectives (sub-programs) identified under ESF: Objective 1 covers projects located in underdeveloped regions, Objective 2 addresses areas in industrial decline, Objective 3 relates to the employment of persons under 25, Objective 4 funds training for employees in companies undergoing restructuring, and Objective 5 pertains to agricultural areas.

During the POI, AST received ESF assistance under Objectives 2 and 4. The Objective 2 funding was to retrain production, mechanical, electrical maintenance, and technical workers. The Objective 4 funding was to train AST's workers to increase their productivity.

The Department considers training programs to provide a countervailable benefit to a company when the company is relieved of an obligation it would have otherwise incurred. *See Final Affirmative Countervailing Duty Determination: Certain Pasta (''Pasta'') From Italy*, 61 FR 30287, 30294 (June 14, 1996) (*Pasta From Italy*). Since companies normally incur the costs of training to enhance the job-related skills of their own employees, and we have no information on the record to indicate that this training was not for this purpose, we preliminarily determine that ESF funding under both Objectives relieves AST of an obligation it would have otherwise incurred.

Therefore, we preliminarily determine that the ESF grants received by AST are countervailable within the meaning of section 771(5) of the Act. The ESF grants are a financial contribution as described in section 771(5)(D)(i) of the Act which provide a benefit to the recipient in the amount of the grant.

Consistent with prior cases, we have examined the specificity of the funding under each Objective separately. *See Wire Rod from Italy* at 40487. In *Pasta From Italy* at 30291, the Department determined that Objective 2 funds provided by the EU and the GOI were regionally specific because they were limited to areas within Italy which are in industrial decline. No new information or evidence of changed circumstances has been submitted in this proceeding to warrant reconsideration of this finding. In this case, the Objective 2 grant received by AST was funded by the EU, the GOI, and the regional government of Umbria acting through the provincial government of Terni. Because we have not been provided with information from the regional government as to the distribution of grants it has provided under Objective 2, we are assuming for purposes of this preliminary determination, as adverse facts available under section 776(b) of the Act, that the funds provided by the provincial government of Terni are also specific.

In the case of Objective 4 funding, the Department has determined in past cases that the EU portion is *de jure* specific because its availability is limited on a regional basis within the EU. The GOI funding was also determined to be *de jure* specific because eligibility is limited to the center and north of Italy (non-Objective 1 regions). See *Wire Rod from Italy* at 40487. No new information or evidence of changed circumstances has been submitted in this proceeding to warrant reconsideration of this finding.

The Department normally considers the benefits from worker training programs to be recurring. *See GIA* at 37255. However, consistent with the Department's past practice and our understanding that these grants relate to specific, individual projects which require separate government approval, we are treating these benefits as non-recurring grants. *See Wire Rod from Italy* at 40488 and *Pasta from Italy* at 30295. Because the benefits received under both Objectives 2 and 4 are less than 0.5 percent of AST's sales during the relevant years, we have expensed these grants in the year of receipt. Two of these grants were received during the POI. For these grants, we divided this benefit by AST's total sales during the POI. Accordingly, we determine the countervailable subsidy to be 0.01 percent *ad valorem* for ESF Objective 2 and 0.03 percent *ad valorem* for ESF Objective 4.

II. Programs Preliminarily Determined To Be Not Used

Based on the information provided in the responses, we determine that the company under investigation did not apply for or receive benefits under the following programs during the POI:

A. Benefits from the 1982 Transfer of Lovere and Trieste to Terni (called Benefits Associated With the 1988–90 Restructuring in the *Initiation Notice*)
B. Decree Law 120/89: Recovery Plan for the Steel Industry
C. Law 181/89: Worker Adjustment and Redevelopment Assistance
D. Law 345/92: Benefits for Early Retirement
E. Law 706/85: Grants for Capacity Reduction
F. Law 488/92: Aid to Depressed Areas
G. Law 46/82: Assistance for Capacity Reduction
H. Loan to KAI for Purchase of AST
I. Debt Forgiveness: 1981 Restructuring Plan
J. Law 675/77: Mortgage Loans, Personnel Retraining Aid and VAT Reductions
K. Law 193/84: Interest Payments, Closure Assistance and Early Retirement Benefits
L. Law 394/81: Export Marketing Grants and Loans
M. Law 341/95 and Circolare 50175/95
N. ECSC Article 56 Conversion Loans, Interest Rebates and Redeployment Aid
O. European Regional Development Fund
P. Resider II Program and Successors
Q. Law 227/77: Export Financing and Remission of Taxes

III. Programs For Which We Need More Information

AST Participation in the THERMIE Program

The EU provided funds to AST for the development of a demonstration project (pilot plant) through an EU program promoting research and development in the field of non-nuclear energy (THERMIE). The objective of the THERMIE program is to design and demonstrate more efficient, cleaner, and safer technologies for energy production and use. The THERMIE program is part of a larger program categorized under the EU's Fourth Framework Programme which covers activities in research and technological development from 1994–1998.

The objective of AST's demonstration plant is to reduce energy consumption in the production of stainless steel by eliminating some of the traditional production steps through the adoption of "strip casting" technology. The EU has requested noncountervailable (green light) treatment for this project as a research and development subsidy under section 771(5B)(B)(ii)(II) of the Act.

In evaluating this request, the statute requires the Department to make a finding that all five specifically enumerated conditions of section 771(5B)(B)(i) of the Act have been met before according green light status to a research subsidy. One of these criteria specifies that the instruments, equipment, land, or buildings must be used exclusively and permanently (except when disposed of on a commercial basis) for the research activity.

Information contained on the record of this proceeding indicates that the Terni project can be converted to commercial use. Furthermore, there is no provision in the program mandating that the demonstration plant be "disposed of on a commercial basis" if it is to be used for commercial production. Therefore, we preliminarily determine that the EU's funding of the Terni project does not meet all of the criteria for a noncountervailable research subsidy as mandated by the Act and is not entitled to green light treatment.

However, it is not clear from the current record if this program benefits the production of the subject merchandise. The Terni project description indicates that the funds will cover the design, construction, and operation of a pilot plant which would demonstrate the commercial viability of strip casting technology. We do not have sufficient information at this time to determine if this technology and the demonstration plant could benefit subject merchandise. After we collect additional information and conduct verification, we will prepare an analysis memorandum addressing the countervailability of this program, and provide all parties an opportunity to comment on our analysis.

Verification

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

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