

1977 Class Life Asset Depreciation Range System (the "IRS Tables"). For DRAMS, the IRS Tables prescribe an AUL of 5 years. None of the responding companies or interested parties disputed this allocation period. Therefore, we have used the 5-year allocation period for all respondents. See, also, February 24, 2003 memorandum to the file entitled "Average Useful Life," which is on file in the Department's CRU.

Discount Rates and Benchmarks for Loans

Pursuant to 19 CFR 351.524(d)(3)(i), the Department will use, when available, the company-specific cost of long-term, fixed-rate loans (excluding loans deemed to be countervailable subsidies) as a discount rate for allocating non-recurring benefits over time. Similarly, pursuant to 19 CFR 351.505(a), the Department will use the actual cost of comparable borrowing by a company as a loan benchmark, when available. Section 351.505(a)(2) of the Department's regulations defines a comparable commercial loan as one that, when compared to the loan being examined, 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) allows the Department to use a national average interest rate for comparable commercial loans.

Hynix and SEC reported that they had the following types of loans outstanding from the GOK or GOK-owned banks, ROK financial institutions, overseas creditors, or foreign banks with branches in the ROK during the POI: (1) Long-term fixed- and variable-rate foreign currency loans; (2) Long-term fixed- and variable-rate won-denominated loans; (3) short-term fixed-rate won-denominated loans; and (4) short-term fixed-rate foreign currency loans. Some of these loans were received prior to 1992. Hynix also received non-recurring benefits during the POI, as discussed in the "Analysis of Programs" section, below.

We are using the following benchmarks and discount rates for this preliminary determination:

Discount Rates and Benchmarks for Long-Term Loans

The Department has previously determined that the GOK directed the lending practices of financial institutions in the ROK through 1991.

See, e.g., *Final Affirmative Countervailing Duty Determinations and Final Negative Critical Circumstances Determinations: Certain Steel Products from Korea*, 58 FR 37338, 37339 (July 9, 1993) ("Certain Steel"); *Final Affirmative Countervailing Duty Determination: Structural Steel Beams from the Republic of Korea*, 65 FR 41051 (July 3, 2000) ("Structural Beams"); and *Final Affirmative Countervailing Duty Determination: Certain Cold-Rolled Carbon Steel Flat Products from the Republic of Korea*, 67 FR 62102 (October 3, 2002) ("Cold-Rolled Steel"). Given the GOK's direction of banks, we determined that the best indicator of the commercial, long-term borrowing rate in the ROK through 1991 was the three-year corporate bond rate on the secondary market. No party in this proceeding has submitted new evidence that would lead us to reconsider this benchmark. Therefore, for the preliminary determination, we are using the three-year corporate bond rate on the secondary market as our benchmark to calculate the benefits which the respondent companies received from domestic won-denominated loans obtained prior to 1992 that were still outstanding during the POI.

In subsequent determinations, the Department found that the GOK controlled directly or indirectly the lending practices of most sources of credit in the ROK between 1992 and 2000. See, e.g., *Final Negative Countervailing Duty Determination: Stainless Steel Plate in Coils from the Republic of Korea*, 64 FR 15530 (March 31, 1999) ("Plate in Coils"); *Final Affirmative Countervailing Duty Determination: Certain Cut-to-Length Carbon-Quality Steel Plate from the Republic of Korea*, 64 FR 73276 (December 29, 1999) ("CTL Plate"); and *Structural Beams*. In *Plate in Coils*, the Department further determined that the GOK does not exercise direct or indirect control over ROK branches of foreign commercial banks. Also, in *Cold-Rolled Steel*, we found that, subsequent to April 1999, companies no longer needed approval from the GOK to access direct foreign loans or issue foreign securities. Thus, we found that these types of loans were not countervailable and, thus, also normally represented an appropriate benchmark.

As explained below in the "Direction of Credit and Other Financial Assistance" discussion in the "Analysis of Programs" section, based upon these earlier findings and updated information, we have preliminarily determined in this investigation that: (1) The GOK still exercised substantial control over most lending institutions in

the ROK from 1992 through 1998, and (2) that the GOK directed credit to Hynix during the period January 1999 through June 30, 2002. Moreover, consistent with our determinations in *Plate in Coils* and *Cold-Rolled Steel*, we continue to find that the government did not exercise direct or indirect control over ROK branches of foreign commercial banks, direct foreign loans obtained after April 1999, and foreign securities issued after April 1999. Thus, we have generally continued to utilize such loans as benchmarks for SEC and Hynix, when available.

Based on the above, we are using the following benchmarks for the preliminary determination to calculate the benefits conferred by GOK-directed long-term loans obtained since 1992 which are still outstanding during the POI:

- For countervailable foreign-currency denominated long-term loans for creditworthy companies, we used, where available, the company-specific, weighted-average interest rates on the companies' comparable commercial foreign currency loans from foreign bank branches in the ROK. If this type of benchmark was unavailable, then, consistent with past cases (see, e.g., *Cold-Rolled Steel*), we relied on lending rates as reported by the International Monetary Fund's ("IMF") *International Financial Statistics Yearbook*.

- For countervailable won-denominated long-term loans for creditworthy companies, we used the company-specific corporate bond rate on the companies' won-denominated public and private bonds, where available. Use of this benchmark is consistent with *Plate in Coils*, 64 FR at 15531, in which we determined that the GOK did not control the ROK domestic bond market after 1991. Where company-specific rates were not available, we used the national average of the yields on three-year won-denominated corporate bonds as reported by the Bank of Korea ("BOK"). We note that the use of the three-year corporate bond rate from the BOK follows the approach taken in *Plate in Coils*, 64 FR at 15532, in which we determined that, absent company-specific interest rate information, the won-denominated corporate bond rate is the best indicator of the commercial long-term borrowing rate for won-denominated loans in the ROK.

- Finally, because we have preliminarily determined that Hynix was uncreditworthy from January 1, 2000 through June 30, 2002 in accordance with 19 CFR 351.524(d)(3)(ii) (see, *infra* section on "Creditworthiness"), we have calculated