

recurring benefits received by Hynix that were allocable to the POI.

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. Direction of Credit and Other Financial Assistance

The GOK's Credit Policies Through 1998

As discussed above in the "Discount Rates and Benchmarks for Loans" section, the Department has examined the issue of whether the GOK controlled the lending practices of banks in the ROK in past cases. For the period through 1991, we determined that the GOK's direction of credit policies resulted in countervailable subsidies to the ROK steel industry. See, e.g., *Certain Steel*, *CTL Plate*, and *Structural Beams*. In subsequent determinations, the Department found that the GOK continued to control, directly and indirectly, the long-term lending practices of most sources of credit in the ROK through 1998. See *Plate in Coils* and *CTL Plate* for our findings regarding 1997 and 1998, respectively.

Although we determined that the GOK directed the provision of loans by ROK banks in *Plate in Coils* and the *Final Affirmative Countervailing Duty Determination: Stainless Steel Sheet and Strip in Coils from the Republic of Korea*, 64 FR 30636, 30639 (June 8, 1999) ("*Sheet and Strip*"), we concluded that loans from Korean branches of foreign banks (i.e., branches of U.S. and foreign-owned banks operating in Korea) did not confer countervailable subsidies. This determination was based upon our finding that credit from ROK branches of foreign banks was not subject to the government's control and direction. Additionally, because these loans were not directed or controlled by the GOK, we used them as benchmarks to establish whether loans from domestic banks conferred a benefit upon respondents.

We provided the respondents in the current proceeding an opportunity to present new factual information concerning the GOK's direction of long-term lending during this previously-examined period. No party contested or provided new information challenging the Department's findings prior to 1998. Moreover, although certain respondents indicated that they were challenging the Department's finding for 1998, the

respondents have not provided any new information that has not already been closely examined in past proceedings (e.g., *CTL Plate* and *Structural Beams*). Therefore, we preliminarily determine that the GOK controlled, directly and indirectly, the long-term lending practices of most sources of lending in the ROK through 1998, with the exception of loans from Korean branches of foreign banks, as noted above, and, consequently, that the GOK entrusted and directed these banks to make loans as directed by the GOK.

Specificity

In the above-cited proceedings, we determined that government-directed loans provided a countervailable subsidy to the ROK steel industry. For the reasons explained below, we have preliminarily determined in this proceeding that the GOK also directed loans to the semiconductor industry through 1998.

In *Structural Beams* and *CTL Plate*, the Department found that the GOK directed credit to "strategic" industries, such as steel, automobiles, and consumer electronics, throughout the 1970s, 1980s, and 1990s. In 1976, it was clear that the semiconductor industry was one of the GOK's "strategic" industries and was designated to receive special treatment from the GOK, including loans. For example, in its Fourth Five-Year Plan, the GOK stated that "the electronics industry will be promoted as a major export industry through the development of new technology products and the expansion of overseas sales activities * * * Semiconductors, computers and related items have been selected as strategic products."

This plan gave rise to the publicly financed Korea Institute of Electronics Technology ("KIET"). The KIET's primary function was to plan and coordinate semiconductor research and development; import, assimilate, and disseminate foreign technologies; provide technical assistance to Korean firms; and conduct market research. According to an October 1991 study, KIET essentially jump-started the semiconductor industry in the ROK and paved the way for SEC, HEI, and Goldstar Electron to enter the market as major DRAMS producers. In addition, the Heavy and Chemical Industry plans of 1974 and 1976 identified six strategic industries (chemicals, electronics, machinery, non-ferrous metals, and steel) which the GOK would support financially to "raise the selected industries' competitiveness and, consequently, to increase their exports."

For the next two decades, the semiconductor industry was repeatedly identified in national economic and development plans, as well as in industry promotion plans, as a "strategic" industry that would receive "a wide range of fiscal and financial investment incentives." Other examples of such policies include the Fifth Five-Year Economic and Social Development Plan (1981) and the Sixth Five-Year Economic and Social Development Plan (1986).

In *Structural Beams*, we found that, after the removal of the de jure preferences for "strategic" industries in 1985, the GOK continued to channel billions of dollars in lending into sectors favored by the government's industrial policies. We also found that, throughout the 1990s, "bankers in Korea [believed] that the {Korea Development Bank ("KDB") is still known for preferring the semiconductor, shipbuilding, and steel industries." (See *Structural Beams* June 7, 2000 memorandum to the file, "Direction of Credit in Korea: Structural Steel Beams from the Republic of Korea," the public version of which is included as an appendix to the March 31, 2003 memorandum entitled "Direction of Credit Citations" ("*Direction Citations Memo*"), which is on file in the Department's CRU.)

In this investigation, there is substantial evidence illustrating the GOK's continued favoritism toward the semiconductor industry well after 1985. The GOK's Seven Year High Technology Development Plan (1990) ("*Seven Year Plan*") called for U.S. Dollar ("USD") 1.83 billion for the development of semiconductors, tax incentives to encourage private-sector investment, and the building of an industrial estate for the assembly of semiconductors, computers, and optical equipment. The *Seven Year Plan* also identified 16 and 64 megabit DRAMS for development through government-industry cooperation. Under the *Seven Year Plan*, the Highly Advanced National program ("HAN") was established to support the production of 256 megabit DRAMS by 1996 and one gigabit DRAMS by 2000 with USD 4.9 billion in government expenditures through 2001.

In 1994, the Ministry of Trade, Industry, and Energy ("MOTIE") announced its selection of five strategic investment sectors (semiconductors, liquid crystal displays ("LCD"), aircraft, satellites, and machine tools) to receive government support. "As for the semiconductor industry, 46.9 billion won will be spent on {research and development ("R&D")} for a 256-{megabit} DRAM this year and 20