

record indicates that, in certain instances, these reforms have yet to fully erase the GOK's direction of the banks, nor have they prevented the GOK from acting, through financial institutions involved in the ROK market, to ensure that Hynix received necessary financing. Therefore, based on the above, we preliminarily find that the GOK directed the lending and credit practices of certain sources of credit in the ROK from 1999 through June 2002 in limited situations, including the case of Hynix, as discussed below.

Before addressing the issue of whether credit is directed to a specific enterprise or industry in the ROK, we note that, in past cases, we have found that loans from ROK branches of foreign banks are not subject to the direction of the GOK. (See, e.g., *Plate in Coils and Cold-Rolled Steel*.) Specifically, we found that loans from Citibank were not directed by the GOK. (See, e.g., *Plate in Coils* memorandum dated March 4, 1999, "Analysis Concerning Post 1991 Direction of Credit," which is included as an appendix to the *Direction Citations Memo* on file in the Department's CRU.) Based on these past findings, we have preliminarily determined that the lending and credit practices of Citibank are not directed by the GOK. However, we intend to seek further information with regard to Citibank prior to the final determination.

Specificity

As discussed above, we have preliminarily determined that the GOK directed credit to the semiconductor industry through 1998. However, for the period 1999 through June 30, 2002, record evidence in this proceeding indicates that the GOK directed or provided loans and other benefits to a specific company or group of companies. The group of companies to which the GOK directed or provided loans during this period comprises companies that continue to be or were part of the Hyundai Group, including one of the respondents in this proceeding, Hynix.

As evidenced by many of the articles cited above regarding GOK direction of credit in this period, many of the statements that were made relating to government instructions to, and pressure on, banks related to financing for Hyundai Group companies or Hynix, or programs, such as the Fast Track program, discussed below, that were directed to Hyundai Group companies.

For example, as discussed above, in September 2002, a National Assembly member spoke out against the GOK's direction of credit to the Hyundai Group

companies. However, National Assembly members were not the only ones speaking of this practice. The official response to the National Assembly Report from President Kim's office was as follows: "{w}e are doing what is deemed necessary to save companies leading the country's strategic industries." Another Blue House official said in January 2001 that "Hyundai is different from Daewoo. Its semiconductors and constructions are Korea's backbone industries. These firms hold large market shares of their industries, and these businesses are deeply-linked with other domestic companies. Thus, these firms should not be sold off just to follow market principles."

In January 2001, the *Korea Times* stated that "cash-starved {Korean} companies claimed that the government's measures were only aimed at certain larger companies such as {Hyundai Merchant Marine, Co. Ltd ('HMM')}, HEI, and Korea Industrial Development." According to a March 2001 article in the *Korea Herald*, "{o}nce again, the government appears to have backtracked on reform pledges, as it allegedly forced creditors to extend trillions of won in fresh financial aid to three Hyundai Group firms—{HEI, HEC}, and Hyundai Petrochemical." And in May 2001, a senior KEB official stated that "{i}f Hynix is placed under receivership, Korea's exports will be severely battered {because} Hynix accounts for 4 percent of exports. As far as I know, the government is now working out a series of powerful measures to ensure the survival of Hynix Semiconductor."

The National Assembly member, quoted above, charged that the GOK provided "astronomical sums of special support to the Hyundai Group, amounting to a total of 33.6 trillion won by mobilizing the resources of financial and government-run institutions" from May 2000 to June 2002. The National Assembly Report relied on data relating to the corporate restructuring measures taken by the following Hyundai Group companies from May 2000 through June 2002: HEC, Hynix, Hyundai Petrochemical Co., Ltd., and HMM (collectively, "Hyundai Group"). During this period, ROK financial institutions participated in the Hyundai Group's restructuring measures, which included new loans, equity swaps, the acceleration of debt acquisition, the extension of debt maturities, convertible bond purchases, and debt exemptions for a total of 244,106 billion won; the total for Hynix was 120,017 billion won. During the same period, GOK authorities (the KDB and the Export-

Import Bank of Korea, among others) provided support to the Hyundai Group totaling 115,365 billion won (Hynix data is not reported separately from these figures). Hynix' share of restructuring measures from financial institutions accounted for nearly 50 percent of the Hyundai Group's total.

In considering whether this program was *de facto* specific, we are mindful of other scenarios where there have been debt restructuring programs in situations of national financial difficulty. For example, in the *Final Affirmative Countervailing Duty Determination: Certain Hot-Rolled Carbon Steel Flat Products From Thailand*, 66 FR 50410 (October 3, 2001) ("*Thai Hot-Rolled Steel*"), the Department found that a debt restructuring program was not specific to the respondent steel company because it was not limited to an enterprise or industry. There, the evidence showed that the program was broadly available across many industries, and the Department's evaluation showed that there was no predominant user or disproportionate share of the program, as well as other factors. (See *Thai Hot-Rolled Steel*, 66 FR 50410 and accompanying September 21, 2001 Decision Memorandum at Section III.A.4.) By contrast, here we find a number of indicators of ROK activity specifically focused on aiding Hynix and the Hyundai Group of companies.

Because record evidence indicates that the GOK's actions with respect to its direction of credit were specific to current or former Hyundai Group companies, we preliminarily find that this program is specific for Hynix pursuant to section 771(5A)(D)(iii)(I) of the Act. Further, we preliminarily determine that the GOK did not direct credit to SEC or the semiconductor industry as a whole during this period. Therefore, we preliminarily determine that any loans or other benefits provided to SEC during this period pursuant to the allegations of direction of credit are not countervailable according to section 771(5) of the Act.

Specific Financial Contributions Made Pursuant to the GOK's Direction of Credit

Having preliminarily determined that the GOK directed credit to the semiconductor industry through 1998, and to Hynix subsequently, we now examine the financial contributions made by the directed financial institutions and the benefits conferred by those financial contributions.