

The petitioners contend that the industry's injured condition is evident in the declining trends in net operating profits, net sales volumes, profit-to-sales ratios, and production employment. The allegations of injury and causation are supported by relevant evidence including U.S. import data, lost sales, and pricing information. We have assessed the allegations and supporting evidence regarding material injury and causation, and we have determined that these allegations are properly supported by adequate evidence and meet statutory requirements for initiation. See the Initiation Checklist.

Initiation of Countervailing Duty Investigation

The Department has examined the countervailing duty petition on colored pigment dispersions from India and found that it complies with the requirements of section 702(b) of the Act. Therefore, in accordance with section 702(b) of the Act, we are initiating countervailing duty investigation to determine whether manufacturers, producers, or exporters of colored pigment dispersions receive countervailable subsidies. We will make our preliminary determination no later than 65 days after the date of this initiation, unless this deadline is extended pursuant to section 703(b)(1) of the Act.

We are including in our investigation the following programs alleged in the petition to have provided a countervailable subsidy to manufacturers, producers, or exporters of colored pigment dispersions:

1. Duty Entitlement Passbook Scheme
2. Advance Licenses
3. Duty Free Replenishment Certificate Scheme
4. Import Mechanism (Sale of Licenses)
5. Pre-Shipment and Post-Shipment Export Financing
6. Export Promotion Capital Goods Scheme ("EPCGS")
7. Benefits for Export Processing Zones/Export Oriented Units ("EPZ/EOU")
8. Special Imprest Licenses (Deemed Exports)
9. Incentive Scheme for Export Oriented Park, Export Oriented Units (State of Gujarat Infrastructure Assistance Scheme)
10. Subsidy Scheme for Medium and Large Industries (State of Gujarat Infrastructure Assistance Scheme)
11. Income Tax Exemption Scheme ("ITES") (Sections 10A, 10B and 80HHC)
12. Re-Discounting of Export Bills Abroad ("EBR")
13. Pre-Export and Post-Export Credits in Foreign Country

14. Exemption of Export Credit from Interest Taxes
15. Central Value Added Tax ("CENVAT") Scheme
16. Market Access Initiative ("MAI")

A discussion of evidence supporting our initiation determination on these programs is contained in the *Initiation Checklist*.

At this time, we are not including in our investigation of colored pigment dispersions the following programs alleged to benefit producers and exporters of the subject merchandise in India.

1. Special Economic Zones (State of Gujarat Infrastructure Assistance Scheme)

According to the petitioners, the State of Gujarat infrastructure provides assistance to industrial units located in special economic zones under its Special Economic Zones scheme. Under the program, industrial units located in SEZs in Gujarat will receive incentives including exemption from electrical duty for ten years and exemption from payment of sales and other levies. Petitioners claim that this program results in revenue forgone by the State of Gujarat and is specific to companies located within a designated geographic region of Gujarat.

In *Final Negative Countervailing Duty Determination; Carbon Steel Wire Rod From Singapore*, 51 FR 3357 (January 27, 1986), we found that the right to locate in an industrial park can confer a subsidy only if the government limits the firms that can locate in the industrial park. The petitioners have provided no information indicating that the State of Gujarat is limiting access to the SEZ. Thus, the petitioners have not provided sufficient evidence that this alleged subsidy is specific within the meaning of section 771(5A) of the Act and section 351.502 of the Department's regulations.

2. Financial Assistance for Upgradation of Quality in SSI/Medium & Large Scale Sector (State of Gujarat Infrastructure Assistance Scheme)

According to the petitioners, the State of Gujarat provides infrastructure assistance to registered industrial units under its Financial Assistance for Upgradation of Quality in SSI/Medium & Large Scale Section. This alleged program applies to "all industrial units which have been registered as a SSI/SSEB with respective DICs or/and industries registered under Industries (Development & Regulation) Act, 1951 as amended * * *." Under this alleged program, eligible industrial units are eligible for government reimbursements

of up to 50 percent for expenditures such as consultant fees and equipment for research and development, and testing equipment. Petitioners claim that this alleged program results in a direct transfer of funds from the State of Gujarat that benefit the recipients in the amount of the infrastructure expenses paid.

The petitioners have provided no information indicating that the benefits provided under this program are specific. In particular, there is no information that the eligible companies comprise a specific group of industries within the meaning of section 771(5A) of the Act and section 351.502 of the Department's regulations.

3. GOI Loans, Loan Guarantees, and Loan Forgiveness

According to the petitioners, the Indian Ministry of Finance extends loan guarantees to selected Indian companies on an *ad hoc* basis and continues to extend loan guarantees to non-steel industrial sectors on an *ad hoc* basis. Petitioners assert that the GOI has been found to provide loans on terms that are more favorable than commercially available. Petitioners also claim that the GOI has forgiven past loans in some cases. Lastly, the petitioners allege that Hindustan and other Indian producers and exporters of subject merchandise have received countervailable subsidies in the forms of GOI loans, loan guarantees, and loan forgiveness.

The petitioners have provided no information to support their supposition that manufacturers and exporters of the subject merchandise received loans, loan guarantees, or debt forgiveness.

Distribution of Copies of the Petition

In accordance with section 702(b)(4)(A)(i) of the Act, a copy of the public version of the petition has been provided to the representatives of the Government of India. We will attempt to provide a copy of the public version of the petition to each exporter named in the petition, as provided for under 19 CFR 351.203(c)(2).

ITC Notification

We have notified the ITC of our initiation as required by section 702(d) of the Act.

Preliminary Determination by the ITC

The ITC will preliminarily determine no later than July 21, 2003, whether there is a reasonable indication that imports of Certain Colored Synthetic Organic Oleoresinous Pigment Dispersions from India are causing material injury, or threatening to cause material injury, to a U.S. industry. A