

account for inflation in the benefit calculations.

Because Mexico experienced significant inflation during only a portion of the 15-year allocation period, indexing for the entire period or converting the non-recurring benefits into U.S. dollars at the time of receipt (*i.e.*, dollarization) for use in our calculations would have inflated certain allocable benefits by adjusting for inflationary as well as non-inflationary periods. Thus, in the underlying investigation, we used a loan-based methodology to reflect the effects of intermittent high inflation. See *CTL Plate Investigation*, 58 FR at 37355. The methodology we used in the underlying investigation assumed that, in the absence of a government equity infusion/grant, a company would have needed a 15-year loan that would be rolled over each year at the prevailing nominal interest rates, which for purposes of our calculations are the interest rates based on Costo Porcentual Promedio (CPP) discussed in the "Calculation of Discount Rate and Creditworthiness" section of this notice. The benefit in each year of the 15-year period would be equal to the principal plus the interest payments associated with the loan at the nominal interest rate prevailing in that year.

Because we assumed that an infusion/grant given was equivalent to a 15-year loan at the current rate in the first year, a 14-year loan at current rates in the second year and so on, the benefit after the 15-year period would be zero, as it would be under the Department's grant amortization methodology. Because nominal interest rates were used, the effects of inflation were already incorporated into the benefit. This methodology was upheld in *British Steel plc v. United States*, 127 F.3d 1471 (Fed. Cir. 1997) (*British Steel III*).

In *Certain Cut-to-Length Carbon Steel Plate from Mexico: Final Results of Countervailing Duty Administrative Review*, 65 FR 13368 (March 13, 2000) (1997 Review of CTL Plate), we analyzed information provided by the GOM and found that Mexico, again, experienced significant, intermittent inflation during the period 1991 through 1997. See the "Inflation Methodology" section of the Decision Memorandum for the 1997 Review of CTL Plate. In addition, during the 1997 review of CTL Plate, we learned at verification that AHMSA had continued its practice of accounting for inflation in its financial statements. *Id.* Thus, in the 1997 Review of CTL Plate, we used the benefit calculation methodology from the CTL Plate Investigation, described above, for all

non-recurring, peso-denominated grants received since the POI. *Id.*

No new information or evidence of changed circumstances has been presented thus far in this review to warrant reconsideration of these findings. Thus, for the purposes of these preliminary results, we have continued to use the benefit calculation methodology from the CTL Plate Investigation for all non-recurring, peso-denominated grants received through 1997.⁴

Calculation of Discount Rate and Creditworthiness

In these preliminary results, for those years in which AHMSA received non-recurring grants and equity infusions, we used as our long-term benchmark discount rate the CPP, which is the average cost of funds for banks in Mexico.⁵ We note that we converted the CPP rate into a discount rate using the formula that has been used in past Mexican cases.⁶ We further note that, for those years in which there were grants and equity infusions and for which the Department had calculated a benchmark interest rate in a prior case, we used the rates calculated in those cases.

As discussed in the "Background" section of this preliminary results notice, we initiated an investigation to determine whether AHMSA was creditworthy during calendar year 2000. As discussed in the "Facts Available" section of this notice, we have made our determination of AHMSA's uncreditworthiness using primary source information from AHMSA that was submitted onto the record of this review prior to our initiation of this inquiry. Upon review of the financial information for AHMSA that is available on the record of this review, we preliminarily find that AHMSA was uncreditworthy during calendar year 2000. For further discussion, see the *Creditworthiness Memorandum*. Thus, for year 2000, we constructed a discount rate for uncreditworthy companies using the methodology described in 19 CFR 351.505(a)(3)(iii).

⁴ We note that AHMSA has received no non-recurring, peso-denominated grants since 1997.

⁵ This is the same discount rate that was used in the previous segment of this proceeding. See, *e.g.*, the Calculation Memorandum for the *Final Results of Administrative Review of the Countervailing Duty Order on Certain Cut-to-Length Carbon Steel Plate from Mexico*, which was included as Exhibit 11 of AHMSA's November 25, 2002, questionnaire response.

⁶ *Id.*

Analysis of Programs

I. Programs Preliminarily Determined To Confer Subsidies

A. GOM Equity Infusions

In the underlying investigation, we determined that the GOM made equity infusions into AHMSA during the years 1987, 1990 and 1991.⁷ See *CTL Plate Investigation*, 58 FR at 37356. Shares of common stock were issued for all of these infusions. The GOM made these equity infusions annually as part of its budgetary process, in accordance with the Federal Law on State Companies. At the time of these infusions, AHMSA was almost entirely a government-owned company.

In the underlying investigation, we found AHMSA to be unequityworthy during the years 1987, and in 1990 and 1991. See *CTL Plate Investigation* 58 FR at 37356. Accordingly, we determined that the equity infusions by the GOM into AHMSA in these years were countervailable. In the 1998 review of CTL Plate, we continued to find this program countervailable. See the "Programs Conferring Subsidies" section of the Decision Memorandum that accompanied the 1998 Review of CTL Plate. No new information or evidence of changed circumstances has been presented in this review to warrant reconsideration of these findings. As a result, for purposes of these preliminary results, we continue to find that these equity infusions conferred a benefit and constituted a government financial contribution under sections 771(5)(E)(i) and 771(5)(D)(i) of the Act, respectively. In addition, we continue to find that the equity infusions were specific to a single enterprise within the meaning of section 771(5A)(D)(iii)(I) of the Act.

To calculate the countervailable benefit in the POR, we used the grant allocation methodology for intermittent, significant inflation described above. We then divided the benefit attributable to the POR by the total consolidated sales of AHMSA during the POR. On this basis, we preliminarily determine the net subsidy for this program to be 0.96 percent *ad valorem* for AHMSA.

B. IMIS Research and Development Grants

The Instituto Mexicano de Investigaciones Siderurgicas (IMIS), or the Mexican Institute of Steel Research, was a government-owned research and development organization that performed independent and joint

⁷ AHMSA received countervailable equity infusions in previous years. However, these equity infusions were fully allocated prior to the 2001 POR.