

the Preamble direct the Department to default to a simple comparison of interest payments made during the POR when calculating the benefit from a long-term, fixed-rate loan.

The Preamble goes on to describe those situations in which the Department shall deviate from the "simple, default methodology," and instead employ the grant equivalent methodology. The Preamble states that, "[b]ecause a firm may derive a benefit from special repayment terms, in addition to any benefit derived from a concessional interest rate," the Department will calculate the benefit using the grant equivalent methodology. See 63 FR at 65369.

There is no information on the record of these preliminary results that indicates that either INI or Sammi derived a benefit from any special repayment terms (*i.e.*, abnormally long grace periods or maturities, etc.) on their long-term, fixed-rate loans. Therefore, in accordance with section 351.505(c)(2) of the CVD Regulations, we are calculating the benefit that INI and Sammi received on their long-term, fixed-rate loans by comparing the amount of interest paid on the loan during the POR to the amount of interest that would have been paid during the POR on a comparable, commercial loan. Thus, to calculate the countervailable subsidy benefit, we first derived the benefit amounts attributable to the POR for each company's fixed and variable rate loans and then summed the benefit amounts from the loans.

Foreign Currency Denominated Loans: Neither INI nor Sammi had foreign currency denominated loans outstanding during this POR which could be used for benchmark purposes. Sammi did provide information pertaining to a foreign currency denominated bond. We have determined that this information may serve as a benchmark for INI's foreign currency denominated loans issued in 2001; however, this information is unsuitable for use as a benchmark for INI's loans received prior to 2001. Therefore, for loans issued before 2001, we have used the same benchmark rates as those applied in *2000 Sheet and Strip*. See INI's February 4, 2003 Questionnaire Response, Exhibit A-4.

To determine the total benefit for all directed credit, we added the benefit derived from foreign currency loans to the benefit derived from won denominated loans and divided the total benefit by INI/BNG's total f.o.b. sales value during the POR. On this basis, we preliminarily determine the countervailable subsidy to be 0.24 percent *ad valorem* for INI/BNG.

B. Article 16 of the Tax Exemption and Reduction Control Act (TERCL): Reserve for Export Losses

Under Article 16 of the TERCL, a domestic person engaged in a foreign-currency earning business can establish a reserve amounting to the lesser of one percent of foreign exchange earnings or 50 percent of net income for the respective tax year. Losses accruing from the cancellation of an export contract, or from the execution of a disadvantageous export contract, may be offset by returning an equivalent amount from the reserve fund to the income account. Any amount that is not used to offset a loss must be returned to the income account and taxed over a three-year period, after a one-year grace period. All of the money in the reserve is eventually reported as income and subject to corporate tax either when it is used to offset export losses or when the grace period expires and the funds are returned to taxable income. The deferral of the payment of taxes owed is equivalent to an interest-free loan in the amount of the company's tax savings. This program is only available to exporters. According to information provided by respondents, this program was terminated on April 10, 1998, and no new funds could be placed in this reserve after January 1, 1999. However, INI still had an outstanding balance in this reserve during the POR. Sammi did not use this program.

In *Sheet and Strip*, 64 FR at 30645, we determined that this program was specific as it constituted an export subsidy under section 771(5A)(B) of the Act because the use of the program is contingent upon export performance. We also determined that this program provided a financial contribution within the meaning of section 771(5)(D)(i) of the Act in the form of a loan. See 64 FR 30645. No new information or evidence of changed circumstances has been presented to cause us to revisit this determination. Thus, we preliminarily determine that this program constitutes a countervailable export subsidy.

In *2000 Sheet and Strip*, we revised our benefit calculation for this program when a company is in a tax loss position. Previously, the Department had only calculated a benefit based on the deferral of the tax payment; however, when a company returns tax reserves to taxable income while in a tax loss situation, the GOK is forgoing tax revenue. Therefore, the Department now calculates an additional benefit from this program when a company returns tax reserves to taxable income while in a tax loss situation. See the *2000 Sheet and Strip* Decision Memo at the "Article

16 of the Tax Exemption and Reduction Control Act (TERCL): Reserve for Export Losses" section. As neither INI nor Sammi was in a tax loss situation during the POR, this methodology is not applicable.

To determine the benefit conferred on INI by this program, we calculated the tax savings by multiplying the balance amount of the reserve as of December 31, 2000, as filed during the POR, by the corporate tax rate for 2000. We treated the tax savings on these funds as a short-term interest-free loan. See 19 CFR 351.509. Accordingly, to determine the benefit, we multiplied the amount of tax savings for INI by the weighted-average interest rate on INI's short-term won-denominated commercial loans for the POR, as described in the "Subsidies Valuation Information" section, above. We then divided the benefit by INI/BNG's total f.o.b. export sales. On this basis, we preliminarily calculated a countervailable subsidy of less than 0.005 percent *ad valorem* for INI/BNG.

3. Article 17 of the TERCL: Reserve for Overseas Market Development

Under Article 17 of the TERCL, a domestic person engaged in a foreign trade business is allowed to establish a reserve fund equal to one percent of its foreign exchange earnings from its export business for the respective tax year. Expenses incurred in developing overseas markets may be offset by returning from the reserve, to the income account, an amount equivalent to the expense. Any part of the fund that is not placed in the income account for the purpose of offsetting overseas market development expenses must be returned to the income account in three yearly installments, after a two-year grace period. The balance of this reserve fund is not subject to corporate income tax during the grace period. However, all of the money in the reserve is eventually reported as income and subject to corporate tax either when it offsets export losses or when the grace period expires. The deferral of tax payment amounts to an interest-free loan equal to the company's tax savings. This program is only available to exporters. Neither INI nor Sammi used this program during the POR; however, INI exported subject merchandise through Hyosung, which used this program during the POR.

In *CTL Plate*, 64 FR at 73181, we determined that the Reserve for Overseas Market Development program is specific under section 771(5A)(B) of the Act because use of the program is contingent upon export performance. We also determined that this program provides a financial contribution within