

countervailable. (See *Honey Issues Memo*, at "Argentine Internal Tax Reimbursement/Rebate Program (Reintegro))."

In its April 14, 2003, questionnaire response, the GOA stated that it did not "intend to provide a full defense of the reintegro program in this review." Rather, the GOA stated that Resolution 220/2001, enacted on June 18, 2001, reduced the Reintegro rate for all products by 7 percent thereby lowering the reintegro on bulk honey to zero and for processed honey to 5.4 percent. The GOA also maintains that Resolution 470/2001, enacted on September 17, 2001, specifically set the Reintegro rate for processed honey to zero. The GOA further noted that the Reintegro level for both bulk and processed honey "has remained at zero since this time, including the remainder of the 2001 and the entire 2002 POR."

Since the GOA did not provide new information regarding the countervailability of the Reintegro, we continue to find the entire amount of the Reintegro for bulk and processed honey to confer a countervailable benefit. See 19 CFR § 351.518(a)(4). However, we did verify that in June 2001, the Reintegro rate applicable to bulk honey was set to zero while the rate for processed honey was decreased to 5 percent. We further verified that the Reintegro rate for processed honey was then set to zero in September 2001. As such, for the purposes of establishing the countervailable subsidy rate for 2001, we weight-averaged the Reintegro rates in effect during that year (5.4 percent for bulk honey and 12 percent for processed honey through June 18, 2001 and 5 percent for processed honey from June 18, 2001 through September 16, 2001) by the FOB value of exports of bulk and processed honey to the United States during these distinct periods in 2001. Therefore, the countervailable subsidy rate for 2001 exports to the United States applicable to this program is 5.352 percent *ad valorem*.

We verified the Reintegro rate was zero throughout 2002 for both bulk and processed honey. Thus, both the countervailable subsidy rate for 2002 and the cash deposit rate applicable to this program are zero.

## 2. Factor de Convergencia (Convergence Factor)

After the completion of verifications in both the instant review and the concurrent antidumping duty administrative review, we learned that on the record of the administrative review of the antidumping duty order, there was verified information relating

to a GOA program called the *factor de convergencia* (Convergence Factor). Under this program, as described in public information provided by several of the respondents in the antidumping duty administrative review, exporters could claim a payment from the GOA for a percentage of the FOB value of the exports. According to this public information on the record, the rate of payment was determined according to a formula accounting for the exchange rate between the U.S. Dollar and the Euro. See memorandum to the file placing public information regarding the Convergence Factor from the antidumping review on the record of this review dated December 8, 2003 (*CF Public Information Memo*).

Our review of the record in the countervailing duty administrative review shows that the GOA did not report the existence of this program. The public information in the antidumping review identified a resolution which addressed the operational interaction between the Reintegro and the Convergence Factor. Resolution 470/2001, dated September 17, 2001, had been submitted, in Spanish, as Exhibit 8 to the GOA's April 14, 2003 countervailing duty questionnaire response. Resolution 470/2001 consists of numerous articles: one directly addressing the Reintegro rates for honey; another addressing the interaction between Reintegro and the Convergence Factor. However, the only article for which a translation was provided and discussed in the questionnaire response was the article pertaining directly to the Reintegro rates for honey.

In addition, the GOA provided no information about this program in response either to questions regarding changes in Reintegro or to questions regarding "any other forms of assistance to producers and exporters of subject merchandise." See the GOA's April 14, 2003 questionnaire response. Furthermore, in response to questions at verification regarding whether the GOA implemented any additional forms of assistance for exporters in lieu of Reintegro payments at the time of or since the reduction of the Reintegro rates, officials of the Production Ministry indicated that the GOA had implemented no such measures. (See *Reintegro Verification Report*.)

On November 14, 2003, we requested that the GOA provide an explanation of why it did not report the Convergence Factor to the Department either in the questionnaire responses or at verification. On November 20, 2003, the GOA stated that the Convergence Factor was not a government subsidy program

but an exchange rate mechanism that applied to all foreign trade, both imports and exports. The GOA cited earlier cases in which the Department made clear that exchange rate policies that apply equally to imports and exports are not countervailable (citing to *Certain Electrical Conductor Aluminum Redraw Rod from Venezuela; Final Affirmative Countervailing Duty Determination*, 53 FR 24763 (June 30, 1988); *Carbon Steel Wire Rod from Czechoslovakia; Preliminary Negative Countervailing Duty Determination*, 49 FR 6773 (February 23, 1984); and *Carbon Steel Wire Rod from Poland; Preliminary Negative Countervailing Duty Determination*, 49 FR 6768 (February 23, 1984)). Moreover, the GOA maintained that since the Convergence Factor had nothing to do with the concept of rebating indirect taxes, the Convergence Factor cannot reasonably be understood to be a replacement for the Reintegro program. As such, given that the Convergence Factor operated as an exchange rate mechanism for imports and exports wholly unrelated to the rebate of indirect taxes, the GOA maintained that it did not report the Convergence Factor to the Department because it had no reason to believe that the Department might consider the Convergence Factor to be a subsidy program much less a replacement of the Reintegro program.

In addition to stating that the Convergence Factor should not be considered a subsidy program, the GOA stated that it was willing to answer any additional questions that the Department had regarding the operation of the Convergence Factor. The GOA argued that it would rather the Department request specific information regarding the Convergence Factor than have the Department draw any adverse inferences from a perceived lack of response. The GOA contended that the Department's general questions seeking information on new subsidy programs or replacement programs for the reintegro could not reasonably have been interpreted by the GOA to be seeking information on an exchange rate mechanism like the Convergence Factor. Moreover, the GOA argued that it would be unreasonable for the Department to draw any adverse inferences from the record with regard to the Convergence Factor without providing the GOA with an opportunity to respond to specific questions regarding the Convergence Factor.

On December 2, 2003, the petitioners submitted comments and information regarding the GOA's November 20, 2003 letter. On December 8, 2003, the GOA submitted additional comments