Manufacturer/Exporter	Period	Margin (percent)
Specialty Metals Company/Ust-Kamenogorsk Titanium and Magnesium Plant	8/1/97–7/31/98	00.00

Within 5 days of the date of publication of this notice, in accordance with 19 CFR 351.224, the Department will disclose its calculations. Any interested party may request a hearing within 30 days of publication of this notice in accordance with 19 CFR 351.310(c). Any hearing, if requested, will be held 37 days after the publication of this notice, or the first workday thereafter. Interested parties may submit written comments (case briefs) within 30 days of the date of publication of this notice in accordance with 19 CFR 351.309(c)(2). Rebuttal comments (rebuttal briefs), which must be limited to issues raised in the case briefs, may be filed not later than 35 days after the date of publication. The Department will publish a notice of the final results of this administrative review, which will include the results of its analysis of issues raised by the parties, within 120 days of publication of this preliminary result.

The final results of this review shall be the basis for the assessment of antidumping duties on entries of merchandise covered by this review.

Duty Assessment Rates

The Department shall determine, and the Customs Service shall assess, antidumping duties on all appropriate entries. Pursuant to 19 CFR 351.212(b)(1), we have calculated an importer-specific *ad valorem* duty assessment rate based on the ratio of the total amount of the dumping margins calculated for the examined sales to the total entered value of those same sales. In order to estimate the entered value, we subtracted international movement expenses from the gross sales value. This rate will be assessed uniformly on all entries of that specific importer made during the POR. In accordance with 19 CFR 351.106 (c)(2), we will instruct the Customs Service to liquidate without regard to antidumping duties any entries for which the assessment rate is *de minimis*, i.e., less than 0.5 percent. The Department will issue appraisement instructions directly to the Customs Service.

Cash Deposit Requirements

Pursuant to the ITC's determination that revocation of the finding covering titanium sponge imports from Kazakhstan is not likely to lead to continuation or recurrence of material injury to an industry in the United States, the Department revoked this finding on August 31, 1998, with an effective date of August 13, 1998. Since the revocation is currently in effect, current and future imports of titanium sponge from Kazakhstan shall be entered into the United States without regard to antidumping duties. Therefore, we will instruct Customs not to suspend future entries and to liquidate all future entries of this product, from Kazakhstan, without regard to antidumping duties.

Notification of Interested Parties

This notice serves as a preliminary reminder to importers of their responsibility under section 351.402(f) of the Department's regulations to file a certificate regarding the reimbursement of antidumping duties prior to liquidation of the relevant entries during this review period. Failure to comply with this requirement could result in the Secretary's presumption that reimbursement of antidumping duties occurred and the subsequent assessment of double antidumping duties.

This administrative review and notice is in accordance with sections 751(a)(1) and 777(i)(1) of the Act (19 U.S.C. 1675(a)(1) and 1677f(i)(1)).

Dated: August 31, 1999.

Richard W. Moreland,

Acting Assistant Secretary for Import Administration.

[FR Doc. 99–23328 Filed 9–7–99; 8:45 am]

BILLING CODE 3510–DS–P

DEPARTMENT OF COMMERCE

International Trade Administration

[C–201–810]

Certain Cut-to-Length Carbon Steel Plate from Mexico: Preliminary Results of Countervailing Duty Administrative Review

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

ACTION: Notice of Preliminary Results of Countervailing Duty Administrative Review.

SUMMARY: The Department of Commerce (the Department) is conducting an administrative review of the countervailing duty order on certain cut-to-length carbon steel plate from Mexico for the period January 1, 1997 through December 31, 1997. For information on the net subsidy for the reviewed company as well as for non-reviewed companies, please see the *Preliminary Results of Review* section of this notice. If the final results remain the same as these preliminary results of administrative review, we will instruct the U.S. Customs Service to assess countervailing duties as detailed in the *Preliminary Results of Review* section of this notice. Interested parties are invited to comment on these preliminary results. (*See* the *Public Comment* section of this notice.)

EFFECTIVE DATE: September 8, 1999.

FOR FURTHER INFORMATION CONTACT: Norbert Gannon or Eric B. Greynolds, Office of AD/CVD Enforcement VI, Import Administration, U.S. Department of Commerce, Room 4012, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230; telephone (202) 482–2786.

SUPPLEMENTARY INFORMATION:

Background

On August 17, 1993, the Department published in the **Federal Register** (58 FR 43755) the countervailing duty order on certain cut-to-length carbon steel plate from Mexico. On August 11, 1998, the Department published a notice of ''Opportunity to Request an Administrative Review'' (63 FR 42821) of this countervailing duty order. We received a timely request for review from Altos Hornos de Mexico, S.A. (AHMSA), the respondent company to this proceeding. On September 29, 1998, we initiated the review, covering the period January 1, 1997 through December 31, 1997 (63 FR 51893). On November 13, 1998, petitioners submitted new subsidy allegations. Based on the information submitted by petitioners, we initiated an investigation of nine of the ten new subsidy allegations made by petitioners. On May 6, 1999, we extended the period for completion of the preliminary results pursuant to section 751(a)(3) of the Tariff Act of 1930, as amended. *See Certain Cut-to-Length Carbon Steel Plate from Mexico: Postponement of Preliminary Results of Countervailing Duty Administrative Review* (64 FR 24370). On June 8 through June 17, 1999, we conducted a verification of the questionnaire responses that the Government of Mexico (GOM) and

AHMSA submitted during this administrative review. The results of our verification are contained in the July 8, 1999, memorandum ''Verification of Government of Mexico's (GOM) Questionnaire Responses in the Administrative Review of the Countervailing Duty Order on Cut-to-length Carbon Steel Plate from Mexico'' to David Mueller, Director of Office of AD/CVD Enforcement VI (GOM Verification Report), and the July 15, 1999, memorandum ''Verification of AHMSA's Questionnaire Responses in the Administrative Review of the Countervailing Duty Order on Certain Carbon Steel Plate from Mexico'' to David Mueller, Director of Office of AD/CVD Enforcement VI, the public versions of which are on file in the Central Records Unit, Room B–099 of the Main Commerce Building (AHMSA Verification Report).

In accordance with 19 C.F.R. 351.213(b), this review covers only those producers or exporters for which a review was specifically requested. Accordingly, this review covers AHMSA. This review also covers twenty-one programs. The deadline for the final results of this review is no later than 120 days from the date on which these preliminary results are published in the **Federal Register**.

Applicable Statute

Unless otherwise indicated, all citations to the statute are references to the provisions of the Tariff Act of 1930, as amended by the Uruguay Round Agreements Act (URAA) effective January 1, 1995 (the Act). The Department is conducting this administrative review in accordance with section 751(a) of the Act. All citations to the Department's regulations reference 19 C.F.R. Part 351 (April 1998), unless otherwise indicated. Because the request for this administrative review was filed before January 1, 1999, the Department's substantive countervailing duty regulations, which were published in the **Federal Register** on November 25, 1998 (63 FR 65348), do not govern this review.

Scope of the Review

The products covered by this administrative review are certain cut-to-length carbon steel plates. These products include hot-rolled carbon steel universal mill plates (i.e., flat-rolled products rolled on four faces or in a closed box pass, of a width exceeding 150 millimeters but not exceeding 1,250 millimeters and of a thickness of not less than 4 millimeters, not in coils and without patterns in relief), of rectangular shape, neither clad, plated nor coated with metal, whether or not painted, varnished, or coated with plastics or other nonmetallic substances; and certain hot-rolled carbon steel flat-rolled products in straight lengths, of rectangular shape, hot rolled, neither clad, plated, nor coated with metal, whether or not painted, varnished, or coated with plastics or other nonmetallic substances, 4.75 millimeters or more in thickness and of a width which exceeds 150 millimeters and measures at least twice the thickness, as currently classifiable in the Harmonized Tariff Schedules of the United States (HTSUS) under item numbers 7208.31.0000, 7208.32.0000, 7208.33.1000, 7208.33.5000, 7208.41.0000, 7208.42.0000, 7208.43.0000, 7208.90.0000, 7210.70.3000, 7210.90.9000, 7211.11.0000, 7211.12.0000, 7211.21.0000, 7211.22.0045, 7211.90.0000, 7212.40.1000, 7212.40.5000, and 7212.50.0000. Included in this administrative review are flat-rolled products of nonrectangular cross-section where such cross-section is achieved subsequent to the rolling process (i.e., products which have been ''worked after rolling'')—for example, products which have been bevelled or rounded at the edges. Excluded from this administrative review is grade X–70 plate. HTSUS subheadings are provided for convenience and Customs purposes. The written description of the scope of this proceeding is dispositive.

Subsidies Valuation Information

Allocation Period

In *British Steel plc.* v. *United States*, 879 F. Supp. 1254 (CIT 1995) (*British Steel I*), the U.S. Court of International Trade (the Court) ruled against the allocation period methodology for non-recurring subsidies that the Department had employed for the past decade, a methodology that was articulated in the *General Issues Appendix* appended to the *Final Affirmative Countervailing Duty Determination: Certain Steel Products from Austria*, 58 FR 37217 (July 9, 1993) (*GIA*). In accordance with the Court's decision on remand, the Department determined that the most reasonable method of deriving the allocation period for non-recurring subsidies is a company-specific average useful life (AUL) of non-renewable physical assets. This remand determination was affirmed by the Court on June 4, 1996. *British Steel plc.* v. *United States*, 929 F.Supp 426, 439 (CIT 1996) (*British Steel II*).

However, in administrative reviews where the Department examines non-recurring subsidies received prior to the period of review (POR) which have been countervailed based on an allocation period established in an earlier segment of the proceeding, it is not practicable to reallocate those subsidies over a different period of time. Where a countervailing duty rate in earlier segments of a proceeding was calculated based on a certain allocation period and resulted in a certain benefit stream, redefining the allocation period in later segments of the proceeding would entail taking the original grant amount and creating an entirely new benefit stream for that grant. Redefining an allocation period could lead to an increase or decrease in the total amount countervailed and, thus, could result in over-or under-countervailing the actual benefit.

In this administrative review, the Department is considering both non-recurring subsidies previously allocated in the initial investigation and non-recurring subsidies received since the original period of investigation (POI). Therefore, for purposes of these preliminary results, the Department is using the original allocation period of 15 years assigned to each non-recurring subsidy received prior to or during the POI. For non-recurring subsidies received since the POI, AHMSA submitted an AUL calculation based on depreciation and asset values of productive assets reported in its financial statements. In accordance with the Department's practice, we derived AHMSA's company-specific AUL by dividing the aggregate of the annual average gross book values of the firm's depreciable productive fixed assets by the firm's aggregated annual charge to depreciation for a 10-year period. We found this calculation produced a result that is aberrational possibly due to the effect of intermittent periods of high inflation. Further, AHMSA's financial statements indicate that the company revised the useful life of property, plant and equipment using differing annual depreciation rates rather than a straight line depreciation methodology. Therefore, for purposes of allocating benefits received after 1991 over time, we used a 15-year AUL, which is the same AUL that was used in the underlying investigation. *See, e.g., Final Affirmative Countervailing Duty Determination: Certain Steel Products from Mexico*, 58 FR 37352, 37356 (July 9, 1993) (*Certain Steel 1993*). Use of the 15-year AUL in this instance accords with our practice, which is to rely on IRS depreciation tables where company-

specific AUL data are distortive or otherwise unusable. *See, e.g., Final Affirmative Countervailing Duty Determination: Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products From Brazil,* 64 FR 38742, 38746 (July 19, 1999); *Final Negative Countervailing Duty Determination: Stainless Steel Plate in Coils From the Republic of Korea,* 64 FR 15530, 15546 (March 31, 1999).

Discount Rates

In *Certain Steel 1993,* for those years in which there were non-recurring grants and equity infusions, we used as our long-term benchmark discount rate the Costo Porcentual Promedio (CPP), which is the average percentage cost of funds for banks. We note we have converted the CPP rate into a discount rate using the formula that has been used in past Mexican cases. *See e.g. Final Results of Countervailing Duty Administrative Review: Porcelain-on-Steel Cookingware from Mexico,* 57 FR 562, January 7, 1992, (*POS Cookware 1992*). We further note that for those years in which there were grants and equity infusions and for which the Department had previously calculated a benchmark interest rate in a prior case, we used the rates calculated in those cases (*see, e.g., Final Results of Countervailing Duty Administrative Review: Porcelain-on-Steel Cookingware from Mexico,* 56 FR 26064 June 6, 1991, *Final Results of Countervailing Duty Administrative Review: Ceramic Tile from Mexico,* 57 FR 24247, June 8, 1992 (*Ceramic Tile 1992*), *Final Results of Countervailing Duty Administrative Review: Certain Textile Mill Products from Mexico,* 56 FR 12175, March 22, 1991 (*Ceramic Tile 1991*). In addition, we determined AHMSA to be uncreditworthy during the years 1983 through 1986. No new information or evidence of changed circumstances was presented in this review to warrant any reconsideration of these findings.

In this administrative review, we have preliminarily determined that AHMSA received additional non-recurring grants, countervailable loans, and debt forgiveness since the POI. These programs are discussed below in the ''Analysis of Programs'' section of this notice. With respect to the non-recurring, peso-denominated grants, we have preliminarily determined to continue using the CPP as our benchmark discount rate. Regarding loans with interest payments outstanding during the POR and U.S. dollar-denominated non-recurring grants received since the POI, AHMSA submitted company-specific interest rate information. During verification, we reviewed AHMSA's short-term and long-term commercial loans and have preliminarily determined to use the weighted-average of each of these types of loans as our benchmark interest and discount rates.

Change in Ownership

(I) Background

In November 1991, the GOM sold all of its ownership interest in AHMSA. Prior to privatization, AHMSA was almost entirely owned by the GOM. Since November 1991, the GOM has held no stock in AHMSA. Thus, in this administrative review, we are analyzing the privatization of AHMSA in 1991 and, for purposes of this preliminary determination, have applied the Department's change in ownership methodology described below.

(II) Change in Ownership Calculation Methodology

Under the *Change in Ownership* methodology described in the *GIA* concerning the treatment of subsidies received prior to the sale of a company or the spinning-off of a productive unit, we estimate the portion of the purchase price attributable to prior subsidies. In the investigation, we computed this by first dividing the privatized company's subsidies by the company's net worth for each year during the period beginning with the earliest point at which non-recurring subsidies would be attributable to the POI and ending one year prior to the change in ownership.

We then took the simple average of the ratios of subsidies to net worth. This simple average of the ratios serves as a reasonable surrogate for the portion that subsidies constitute of the overall value of the company. Next, we multiplied the average ratio by the purchase price to derive the portion of the purchase price attributable to repayment of prior subsidies. Finally, we reduced the benefit streams of the prior subsidies by the ratio of the repayment amount to the net present value of all remaining benefits at the time of privatization.

Inflation Methodology

In the original investigation of this case, we determined, based on information from the GOM, that Mexico experienced significant inflation during 1983 through 1988. *See Certain Steel 1993,* 58 FR at 37355. In accordance with past practice, because we found significant inflation in Mexico and because AHMSA adjusted for inflation in its financial statements, we made adjustments, where necessary, to 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 the benefit from these infusions by adjusting for inflationary as well as non-inflationary periods. Thus, in *Certain Steel 1993,* 58 FR at 37355, we used a loan-based methodology to reflect the effects of intermittent high inflation. The methodology we used in *Certain Steel 1993* assumed that, in lieu of a government equity infusion/grant, a company would have had to take out a 15-year loan that was rolled over each year at the prevailing nominal interest rates, which for purposes of our calculations were the CPP-based interest rates discussed in the ''Discount Rate'' section of this notice. The benefit in each year of the 15-year period equaled the principal plus interest payments associated with the loan at the nominal interest rate prevailing in that year.

Since 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, just as with the Department's grant amortization methodology. Because nominal interest rates were used, the effects of inflation were already incorporated into the benefit.

The methodology recognized that, absent dollarization of the subsidy, there was no way given the significant inflation in 1983 through 1988 to (1) preserve a declining balance in the benefit stream, and (2) reflect accurately the effects of significant inflation. The methodology used in *Certain Steel 1993* recognized that in an environment with significant inflation, asset appreciation due to inflation can often outweigh normal asset depreciation and cause benefits in some years to be higher than in previous years. This methodology was upheld in *British Steel plc* v. *United States,* 127 F.3d 1471 (Fed. Cir. 1997) (*British Steel III*).

For purposes of the preliminary results of this administrative review, we have analyzed information provided by the GOM and have found that Mexico, again, experienced significant, intermittent inflation during the period 1991 through 1997. *See* the August 31, 1999, memorandum to the file, ''Presence of Significant Intermittent Inflation During the POR,'' a public document on file in the Central Records Unit, Room B–099 of the Main Commerce Building. In addition, we

learned at verification that AHMSA continued its practice of accounting for inflation in its financial statements. *See* page 4 of the AHMSA Verification Report. Thus, we preliminarily determine to use the benefit calculation methodology from *Certain Steel 1993,* described above, for all non-recurring, peso-denominated grants received since the POI.

Analysis of Programs

I. Programs Conferring Subsidies

A. GOM Equity Infusions

In *Certain Steel 1993,* 58 FR at 37356, we determined that the GOM made equity infusions in AHMSA in 1977, each year from 1979 through 1987, 1990 and 1991. Shares of common stock were issued for all of these infusions and were made annually as part of the GOM's budgetary process as per the Federal Law on State Companies. At the time of these infusions, AHMSA was almost entirely a government-owned company.

In *Certain Steel 1993,* 58 FR at 37356, we found AHMSA to be unequityworthy in each year from 1979 through 1987, and in 1990 and 1991. Accordingly, we determined that the equity infusions by the GOM into AHMSA in these years were inconsistent with commercial considerations. In addition, because the infusions were made to a single enterprise, we determined that they were specific within the meaning of the section 771(5A)(D) of the Act. Thus, because these equity infusions were specific and inconsistent with commercial considerations, we found them to be countervailable. No new information or evidence of changed circumstances was presented in this review to warrant any reconsideration of these findings.

To calculate the countervailable benefit in the POR, we used the methodology for intermittent, significant inflation described above. We then divided the benefit attributable to the POR, adjusted to reflect the change in ownership described above, by the total sales of AHMSA during the same period. On this basis, we preliminarily determine the net subsidy for this program to be 1.54 percent *ad valorem* for AHMSA.

B. 1986 Assumption of AHMSA's Debt

In 1986, the GOM negotiated an agreement with AHMSA through which the GOM assumed a portion of AHMSA's debt. One part of this debt assumption was recorded as a reduction in the company's accumulated past losses. For a second part, shares of stock were issued; a third part was held for future capital increases for which new stock was issued to the GOM in 1987. In *Certain Steel* 1993, 58 FR at 37356, we treated the full amount of debt assumed by the GOM in 1986 as a countervailable, non-recurring grant. No new information or evidence of changed circumstances was presented in this review to warrant any reconsideration of these findings.

To calculate the countervailable benefit in the POR, we used the methodology for intermittent, significant inflation described above. We then divided the benefit attributable to the POR, adjusted to reflect the change in ownership described above, by the total sales of AHMSA during the same period. On this basis, we preliminarily determine the net subsidy for this program to be 1.84 percent *ad valorem* for AHMSA.

C. 1988 and 1990 Debt Restructuring of AHMSA Debt and the Resulting Discounted Prepayment in 1996 of AHMSA's Restructured Debt Owed to the GOM

In 1987, the GOM negotiated an agreement with foreign creditors to restructure the debt of AHMSA and several other Mexican parastatal companies. Under the agreement, the parastatal companies remained indebted to the foreign banks. The GOM again negotiated on behalf of AHMSA debt restructuring agreements in 1988 and 1990. Under these agreements, the GOM purchased AHMSA's debts, which were denominated in several foreign currencies, from AHMSA's foreign creditors in exchange for GOM debt. The GOM thereby became the creditor for loans included in these agreements.

During the proceeding of *Certain Steel 1993,* the GOM claimed that AHMSA's principal repayment obligations remained the same after the debt restructuring. However, in *Certain Steel 1993,* we could not verify that none of AHMSA's principal obligations on its debt was forgiven in the 1988 and 1990 debt restructuring agreements. Thus, based upon the facts available to the Department at the time of the investigation, we assumed that the principal had been forgiven in the amount of the discount the GOM had received when purchasing the debt from AHMSA's foreign creditors. Thus, we treated the forgiven principal as a non-recurring grant. During this administrative review, AHMSA claimed that, in June 1996, it repaid its restructured debt in the form of a discounted prepayment to the GOM, thereby extinguishing its financial obligations to the GOM.

In their November 13, 1998, submission, petitioners allege that AHMSA's discounted prepayment of the outstanding principal in 1996 constituted a partial debt forgiveness on behalf of the GOM. As a result of the prepayment, petitioners allege that AHMSA realized an extraordinary income gain approximately equal to the difference between the principal and the amount of the prepayment. Petitioners allege that this extraordinary income provided a countervailable benefit to AHMSA because the company repaid the debt at a 26.4 percent discount, which is not consistent with commercial terms.

During the verification of the questionnaire responses submitted during this review, we learned that, in order to determine the amount of the discounted prepayment that AHMSA was to make in June of 1996, the company and the GOM created amortization tables for each of the foreign currency loans. Next, they converted these payment streams into U.S. dollars and calculated the net present value for each of them. Then, they summed the U.S. dollar denominated net present values to derive the amount of the discounted prepayment to be made in U.S. dollars.

In this review, we have preliminarily determined that AHMSA's discounted prepayment of its 1988 and 1990 restructured debts constitutes a countervailable benefit. At verification, we confirmed that the amount of AHMSA's discounted prepayment resulted in a reduction of the principal owed by AHMSA on this debt. On this basis, we preliminarily determine that the difference between the principal outstanding on AHMSA's restructured debt and the amount of its discounted prepayment constitutes debt forgiveness on the part of the GOM. In addition, we preliminarily determine that the benefit was conferred in 1996, the year in which the debt forgiveness took place. Because the debt forgiveness was made to a single enterprise, we also preliminarily determine that it is specific within the meaning of the section 771(5A)(D) of the Act.

Because the principal forgiveness was denominated in U.S. dollars, we used the Department's standard non-recurring grant methodology to allocate the benefit to the POR. We used as our discount rate, the weighted-average of AHMSA's fixed-rate, U.S. dollar loans that were received during the year of receipt. We then divided the benefit attributable to the POR by AHMSA's total sales in U.S. dollars during the same period. On this basis, we preliminarily determine the net subsidy

for this program to be 0.53 percent *ad valorem* for AHMSA.

D. 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 venture research with the iron and steel industry.

In *Certain Steel 1993*, 58 FR at 37359, the Department found that IMIS's activities with AHMSA fell into two categories: joint venture activities and non-joint venture activities. We determined that IMIS's non-joint venture activities with AHMSA were not countervailable. However, the Department determined that joint venture activities were countervailable, and we treated IMIS's contributions to joint venture activities as non-recurring grants and allocated the benefits over AHMSA's AUL.

During verification in *Certain Steel 1993*, AHMSA submitted new information indicating that the company utilized services and generated purchase orders related to its activities with IMIS. In *Certain Steel 1993*, we found that AHMSA's use of IMIS services was related to its joint venture activities and, therefore, was countervailable. In addition, because the Department was unable to determine whether the purchase orders were related to AHMSA's joint venture activities, we determined, as best information available, that funds linked to these purchase orders provided countervailable benefits. No new information or evidence of changed circumstances was presented in this review to warrant any reconsideration of these findings.

We note that during this administrative review, the GOM reported that IMIS was terminated by Government decree on November 4, 1991. However, because the allocated benefits of the non-recurring benefits that AHMSA received under this program extend into the POR, this program continues to confer a countervailable benefit.

To calculate the countervailable benefit in the POR, we used the methodology for intermittent, significant inflation described above. We then divided the benefit attributable to the POR, adjusted to reflect the change in ownership described above, by the total sales of AHMSA during the same period. On this basis, we preliminarily determine the net subsidy for this program to be 0.05 percent *ad valorem* for AHMSA.

E. Pre-privatization Lay-off Financing from the GOM and the 1991 Equity Infusion in Connection with the Debt to Equity Swap of PROCARSA

During the verification of *Certain Steel 1993*, the Department discovered that the GOM loaned AHMSA money to cover the cost of personnel lay-offs which the GOM felt were necessary to make AHMSA more attractive to potential purchasers. The Department learned that this loan did not accrue interest after September 30, 1991. Further, the Department learned that the GOM was allowing the privatized AHMSA to repay this loan with the transfer of AHMSA assets back to the GOM. The assets which AHMSA was using to repay the loan were assets which Grupo Acerero del Norte, S.A. de C.V. (GAN), the purchaser of AHMSA, had not wished to purchase but which the GOM included in the sale package. *See Certain Steel 1993*, 58 FR at 37360. These assets were characterized as ''unnecessary assets'' or assets not necessary to the production of steel.

Since the information about this financing and its repayment came to light only at verification of the questionnaire responses submitted during the investigation, we were unable to determine whether this loan relieved AHMSA of an obligation it would otherwise have borne with respect to the laid-off workers. Thus, in *Certain Steel 1993*, 58 FR at 37361, we calculated the benefit by treating the financing as an interest-free loan.

In the current review, AHMSA has claimed that it extinguished its pre-privatization lay-off financing debt with the transfer of these ''unnecessary assets.'' The record of the investigation indicates that these assets were included by the GOM in the sale of AHMSA despite the fact that GAN, the purchaser of AHMSA, indicated that it did not wish to purchase those assets, and GAN's bid for AHMSA did not include any funds for those assets. The record from the investigation further indicates that the value of those assets was frozen in November 1991, and that, as of that date, the assets were neither depreciated nor revalued for inflation, both of which are standard accounting practices in Mexico.

Although a loan that provides countervailable benefits normally ceases to do so once it has been fully repaid, we preliminarily determine that the manner in which AHMSA has repaid this loan conferred a countervailable benefit. AHMSA is repaying the loan with the transfer of assets which AHMSA's purchasers did not wish to purchase and which they did not pay for. As *Certain Steel 1993* indicates, GAN's purchase bid specifically detailed the assets which GAN wished to purchase. We note that the ''unnecessary assets'' were not included in GAN's purchase price offer. The GOM included these assets when GAN's purchase of AHMSA took place. Thus, we preliminarily determine that AHMSA's use of these ''unnecessary assets,'' assets which were effectively given to AHMSA free of charge, to repay this loan, constitutes debt forgiveness of this loan. Accordingly, we preliminarily determine that the entire amount of the pre-privatization lay-off financing was a non-recurring grant received in 1994, the time the loan was forgiven.

In their November 13, 1998 submission, petitioners allege that, with the transfer of the ''unnecessary assets,'' AHMSA received an equity infusion in connection with a debt-to-equity swap involving the majority government-owned company, Procesadora de Aceros Rasini, S.A. de C.V. (PROCARSA). Specifically, petitioners allege that AHMSA received the PROCARSA shares and subsequently liquidated them, thereby constituting an equity infusion in AHMSA by the GOM.

During the verification of the questionnaire responses submitted in this review, we learned that, in 1991, AHMSA received shares in PROCARSA in lieu of an accounts receivable payment that PROCARSA owed in approximately the same amount. Furthermore, we learned that AHMSA did not liquidate its shareholdings in PROCARSA as petitioners allege. Rather, the PROCARSA shareholdings were included as part of the ''unnecessary assets'' that the company transferred to the GOM as payment for the pre-privatization lay-off financing.

Thus, AHMSA's shares in PROCARSA are among the ''unnecessary assets'' that GAN received when it purchased AHMSA in 1991. As with the rest of the ''unnecessary assets,'' we preliminarily determine that the countervailable benefit arises from AHMSA's use of the shares to repay the pre-privatization lay-off financing and not, as petitioners allege, from AHMSA's acquisition of the shares.

To calculate the countervailable benefit in the POR, we used the methodology for intermittent, significant inflation described above. We then divided the benefit from the pre-privatization lay-off financing, including the 1991 equity infusion in connection with the debt to equity swap of PROCARSA, attributable to the POR, by the total sales of AHMSA during the

same period. On this basis, we preliminarily determine the net subsidy for this program to be 0.74 percent ad valorem for AHMSA.

F. Bancomext Export Loans

Banco Nacional de Comercio Exterior, S.N.C. (Bancomext) offers a government program through which short-term financing is provided to producers or trading companies engaged in export activities. These U.S. dollar-denominated loans provide financing for working capital (pre-export loans), and export sales (export loans). AHMSA used this program during the POR.

In *Certain Steel 1993,* 58 FR at 37357, we determined that, since these loans are available only to exporters, Bancomext loans are countervailable to the extent that they are provided at preferential rates. No new information or evidence of changed circumstances was presented in this review to warrant any reconsideration of these findings.

To determine the benefit conferred under the Bancomext export loan program, we compared the interest rate charged on these loans to a benchmark interest rate. As discussed in the ''Subsidies Valuation'' section of this notice, AHMSA submitted company-specific interest rate information on short and long-term loans that it received from commercial banks. Thus, we used the short-term loans to calculate a company-specific, weighted-average, U.S. dollar-denominated benchmark interest rate. We compared this company-specific benchmark rate to the interest rates charged on AHMSA's Bancomext loans and found that the interest rates charged were lower than the benchmark rates. Therefore, in accordance with section 771(5)(E)(ii) of the Act, we preliminarily determine that this program conferred a countervailable benefit during the POR because the interest rates charged on these loans were less than what a company otherwise would have had to pay on a comparable short-term commercial loan.

Because eligibility under this program is contingent upon exports, we divided the benefit by AHMSA's total export sales in U.S. dollars during the POR. On this basis, we preliminarily determine the net subsidy for this program to be 0.10 percent *ad valorem* for AHMSA.

G. PITEX Duty-Free Imports for Companies That Export

The Programa de Importacion Temporal Para Producir Productos Para Exportar, or Program for Temporary Import for Producing Products for Export (PITEX), was established by a decree published in the Diario Oficial on September 19, 1985, and amended in the Diario Oficial on September 19, 1986, and May 3, 1990. The program is jointly administered by the Ministry of Commerce and Industrial Development and the Customs Administration. Manufacturers who meet certain export requirements are eligible for the PITEX program. Those who qualify are exempt from paying import duties and the value added tax (VAT) on temporarily imported goods that will be used in the production of exports. Categories of merchandise eligible for PITEX import duty and VAT exemptions are raw materials, packing materials, fuels and lubricants, perishable materials, machinery, and spare parts.

Machinery imported under the PITEX program may only be imported on a temporary basis. When the items' temporary status has run out, companies must either send the machines back or pay the import duties and VAT taxes that were originally exempted. In Certain Steel 1993, 58 FR at 37359, we found that machinery imported under the PITEX program could stay in Mexico for five years initially and, after five years, a manufacturer could renew the temporary stay each year. At the verification of this review, we learned that the PITEX program was amended such that companies that imported machinery under the program after 1998 cannot apply for an extension of their import duty exempt status. Rather, the period of temporary status is determined as the time that the machinery and spare parts take to depreciate. After the items are fully depreciated, companies must send them back or pay the import duties and VAT that were originally exempted. However, regarding machinery imported prior to 1998, we learned at the verification of this review that it can remain in Mexico without liability for import duties and VAT, provided that the company maintains its PITEX status.

In accordance with past practice, we determined in *Certain Steel 1993,* 58 FR at 37359, that PITEX benefits are countervailable to the extent that they provide duty exemptions on imports of merchandise not consumed in the production of the exported product. *See POS Cookware 1992,* 57 FR at 564, *Ceramic Tile 1991,* 56 FR at 12178, and *Ceramic Tile 1992,* 57 FR at 24248. No new information or evidence of changed circumstances was presented in this review to warrant any reconsideration of these findings.

At the verification of this review, we learned that AHMSA used the PITEX program to import raw materials, containers and packing materials, fuels, perishable items and lubricants, and various machinery and equipment. Thus, pursuant to the Department's practice, we preliminarily determine that AHMSA's import duty exemptions on spare parts, machinery and other items not consumed in the production of the exported products are countervailable.

To calculate the countervailable benefit in the POR, we determined the amount of import duty that AHMSA would have paid absent the program for each duty exemption that the company received on products not consumed in the production of the exported product. Because eligibility for this program is contingent upon exports, we divided the benefit over AHMSA's total export sales. On this basis, we preliminarily determine the net subsidy to be 5.03 percent *ad valorem* for AHMSA.

As mentioned above, AHMSA also received VAT exemptions on the products imported under the PITEX program. At the verification of this review, we learned that PITEX companies receive an exemption on VAT because it is understood that they are going to re-export the items at a later date. Non-PITEX companies, on the other hand, must pay the VAT upon importing the items and receive a reimbursement at a later date. The Department has previously determined that when the time-lag for the VAT credits that all other companies eventually receive is short, VAT exemptions do not confer a measurable time-value-of-money benefit upon participating companies that received the VAT exemption. *See, e.g., Ball Bearings and Parts Thereof From Thailand; Final Results of Countervailing Duty Administrative Review,* 60 FR 52379, 52373 (October 6, 1995) (*Ball Bearings Final*) and *Ball Bearings and Parts Thereof From Thailand; Preliminary Results of Countervailing Duty Administrative Review,* 61 FR 34794, 34796 (July 3, 1996) (*Ball Bearings Preliminary*). At the verification of this review, we learned that the amount of time that non-PITEX companies had to wait for their VAT credits was not so much longer than the amount of time PITEX companies had to wait for their credits such that a measurable time-value-of-money benefit was conferred on the PITEX companies. Thus, we preliminarily determine that the VAT exemptions that AHMSA received under the PITEX program are not countervailable.

H. Immediate Deduction

The immediate deduction program was established in 1987 and was subject to ongoing reforms until it was repealed in 1998. It originated from Article 163 of Mexico's Income Tax Law enacted in

1981 and repealed in 1987. The immediate deduction mechanism was available only for certain fixed assets that had not been previously used in Mexico. The immediate deduction was not available for pre-operation expenses or for deferred expenses and costs. The GOM's stated purpose of the immediate deduction program was to promote investment by allowing the future deduction of the investments, at their present value, at the time of the investment. The immediate deduction option only applied to property used permanently within Mexico but outside the metropolitan areas of Mexico City, Guadalajara, and Monterrey. With respect to small firms (*i.e.*, firms with a gross income of 7 million pesos or less), the location restriction does not apply. We note that the small firm classification does not apply to AHMSA. Immediate deduction could be taken, at the election of the tax-payer, in the tax year in which the investments in qualifying fixed assets were made, in the year in which these assets were first used, or in the following year. No prior approval by the GOM was required to use the immediate deduction option.

We preliminarily determine that the immediate deduction program is specific to a region pursuant to section 771(5A)(D)(iv) of the Act. In this case, the ''designated geographical region'' comprises all of Mexico except Mexico City, Guadalajara, and Monterrey. The Department has previously found other GOM programs to be regionally specific based on a comparable designated region. For example, in *Portland Hydraulic Cement and Cement Clinker From Mexico; Final Results of Administrative Review of Countervailing Duty Order*, 50 FR 51732 (December 19, 1985), the Department explained that so-called Certificates of Fiscal Promotion, or CEPROFIs, were regionally specific because they were not available in Mexico City and certain other cities in two states near Mexico City. *See also Final Affirmative Countervailing Duty Determination: Ceramic Tile from Mexico*, 47 FR 20012 (May 10, 1982). Pursuant to section 771(5)(D)(ii) of the Act, we preliminarily determine that to extent that the GOM is not collecting tax revenue that is otherwise due from AHMSA, it is providing a financial contribution. Pursuant to section 771(5)(E) of the Act, because the immediate deduction program relieves certain companies of a tax burden that they would have otherwise incurred this program confers a benefit equal to the tax savings.

At verification, we learned that the immediate deduction program does not change the taxable income declared by the company. Rather, the program changes the amount of deductions that a company can take on taxable income. The immediate deduction program is not an accelerated depreciation program, which Mexico does not have. Mexican companies eligible to use immediate deduction basically have two choices. Companies can either depreciate according to the normal depreciation schedule in Mexico, or they can take a one-time immediate deduction on the future depreciation of the item discounted back to its present value. If companies take the immediate deduction, they will not be able to claim all of the deductions that they would otherwise be able to take if they had utilized the standard straight line depreciation method. In other words, only a certain percentage of the value of the assets (as prescribed by law) are used in the immediate deduction calculation. Regarding the net present value calculation used to derive the immediate deduction, it is made at market rates as specified in the program legislation.

At verification, we learned that losses (for tax purposes) can be carried forward for 10 years and that the immediate deduction figure is part of that loss carried forward. Therefore, the amount of the immediate deduction can be carried forward for up to 10 years.

In order to calculate the benefit from the immediate deduction program, we examined AHMSA's tax returns from 1991, the year AHMSA began using the program, to 1996, the year of the tax return filed during the POR. Since the amount a company elects to take as an immediate deduction, as well as all losses, can be carried forward for 10 years, we summed the immediate deduction amounts from all the years prior to the first year in which AHMSA had a taxable profit, which was 1995. We subtracted the 1995 taxable profit from the total amount of available immediate deductions and then compared the result to the taxable profit for 1996 to determine the amount of the tax reduction based on the use of the immediate deduction program. To arrive at the actual benefit we multiplied the amount of the reduction in taxable income by Mexico's corporate income tax rate. We then divided the benefit over AHMSA's total sales. On this basis, we preliminarily determine the net subsidy to be 6.48 percent *ad valorem* for AHMSA. We invite comments on this methodology particularly with respect to whether and how we should account for normal depreciation in the quantification of the benefit under this program.

II. Programs Preliminarily Determined To Be Not Countervailable

A. Committed Investment

In the 1991 privatization, GAN purchased AHMSA from the GOM. In addition to paying a certain amount in cash, and assuming a portion of AHMSA's debt, GAN committed to investing another large sum of money in AHMSA. In their November 13, 1998, submission, petitioners allege that the committed investment provides a countervailable subsidy because it is revenue ''otherwise due to the GOM from GAN's purchase of AHMSA, revenue which the GOM forewent'' in exchange for requiring GAN to make additional investments in AHMSA. Petitioners allege that these investments would not have otherwise occurred, as AHMSA was unequityworthy at the time (*see Certain Steel 1993*, 58 FR at 37354). Therefore, petitioners contend that the investment commitment constitutes a ''funding mechanism'' within the meaning of the statute, to which the GOM made payment by foregoing revenue otherwise due and which the GOM required GAN to use for the purposes of additional investments in AHMSA. As equity investments into an unequityworthy company, petitioners allege that the committed investment constitutes a financial contribution which confers a benefit. In addition, petitioners allege that this benefit is specific to AHMSA because this component of the privatization bid formula was limited to AHMSA.

After carefully analyzing the committed investment, we disagree with petitioners' contention that it conferred a benefit upon AHMSA. The record evidence does not support petitioner's claim that GAN would not have made these investments into AHMSA absent its express commitment to the GOM to do so. In fact, the record establishes that GAN invested more than was agreed to under the terms of its arrangement with the GOM. Therefore, we preliminarily determine that the committed investment did not confer a countervailable benefit upon AHMSA. Because there is no benefit, we need not reach the decision whether the committed investment agreement constituted a financial contribution.

B. Corporacion Mexicana de Investigacion en Materiales, S.A. de C.V. (COMIMSA)

Although IMIS was terminated in 1991, its equity was used to establish the Corporacion Mexicana de Investigacion en Materiales, S.A. de C.V. (COMIMSA), an organization charged with continuing certain activities of

IMIS. The GOM has reported that COMIMSA's activities are comprised of manufacturing parts and providing services such as: environmental engineering; structural integrity; lubricants; computers and software; project engineering; and, laboratory analysis and testing.

During verification we learned that COMIMSA acts as a supplier to AHMSA for laboratory analysis services and specifically engineered products for which COMIMSA holds the exclusive production rights. The products sold to AHMSA are mostly items for which COMIMSA's predecessor, IMIS, developed and obtained the design patents. These are usually key parts for important equipment. We learned at verification that since AHMSA has to purchase these items only from COMIMSA the prices are very high compared to similar items purchased from other suppliers. AHMSA has attempted to purchase the design patents, but COMIMSA has refused to sell them. We found no evidence that COMIMSA provided AHMSA with any research and development assistance. At verification we found that in situations where COMIMSA was a sole supplier of a particular item AHMSA, consistent with its policy of attempting to minimize sole supplier situations, sought out and found alternative suppliers that could perform some of the maintenance and installation services associated with these items.

Because COMIMSA's dealings with AHMSA consist primarily of selling goods and services, the only relevant analysis in determining whether or not a countervailable benefit has been provided by COMIMSA would be under the ''Adequate Remuneration'' standard codified at section 771(5)(E)(iv) of the Act. Given the fact that AHMSA has (1) paid very high prices on items for which COMIMSA has exclusive design rights, (2) attempted to purchase the design rights for items COMIMSA produces for AHMSA, (3) consistently attempted to find alternative suppliers to COMIMSA, and (4) has gone to outside suppliers for installation and maintenance of items purchased from COMIMSA, we preliminarily determine that COMIMSA is not providing its goods and services to AHMSA at less than ''adequate remuneration.'' COMIMSA's behavior is more consistent with that of a monopoly supplier for certain items, *i.e.*, it is selling above adequate remuneration. Therefore, we find that COMIMSA's provision of goods and services to AHMSA does not provide a countervailable benefit.

C. Waiver of Taxes on AHMSA Purchase of Fundadora de Monterrey, S.A. de C.V. (FMSA)

In *Certain Steel 1993*, 58 FR at 37365, the Department found that in 1991, a portion of the assets of Fundadora de Monterrey, S.A. de C.V. (FMSA) was sold together with AHMSA. Petitioners argued then that the Department should have countervailed the GOM's waiver of sales and title taxes on the FMSA assets. In *Certain Steel 1993*, 58 FR at 37365, we determined that, although the FMSA assets purchased along with AHMSA should have been subject to sales and title taxes, we would not consider the issue in reaching our final determination because the FMSA assets did not produce subject merchandise at the time of the investigations. However, in their November 13, 1998, submission, petitioners allege that the FMSA assets began producing subject merchandise in 1994, thus making the waiver of taxes a countervailable event that conferred a benefit to AHMSA's production.

In accordance with the Department's practice, benefits in the form of tax waivers are expensed in the year of receipt. Thus, given that the event in question occurred outside of the POR, the issue of whether FMSA produced subject merchandise at the time of the alleged tax waiver is moot. Therefore, we preliminarily determine this program to be not countervailable.

D. Discounted Freight Rates

In their November 13, 1998, submission petitioners provided AHMSA's 1993 annual report, which shows that negotiations between AHMSA and Ferrocarriles Nacionales de Mexico (FNM), the national railroad, led to a 9.2% reduction in freight tariffs for the company in 1993. Petitioners allege that these rail rates are preferential and therefore the GOM, through its state-owned railroad, provided rail services to AHMSA for less than adequate remuneration. Based on the information that was reasonably available to them at the time, petitioners alleged that AHMSA may have received similar benefits during the years 1994 through 1997.

Section 771(5)(E)(iv) of the Act states that a benefit shall normally be treated as conferred when ''goods and services are provided for less than adequate remuneration.'' To the extent that AHMSA's negotiated freight tariffs are less than what other companies could receive for the same services, a countervailable benefit may be conferred. However, we must first determine if this program, *i.e.*, discounts on freight rates by the government-owned railroad, is specific according to section 771 (5A)(D) of the Act and is therefore countervailable.

We found at verification that during the POR FNM was still government-owned. FNM, the government entity running the railroads, had an established policy of providing discounts according to the volume of material transported on its rails. We also found that a very large number of companies across a wide range of industries, including AHMSA, constituted ''big accounts'' that were eligible for the largest volume-based discounts. Industries represented in the ''big accounts'' categories include the cement, auto parts, agriculture, beer, steel, and mining industries. The deepest discount was only available to customers, including AHMSA, that provided their own rolling stock. We verified that the discounts were made public and that they applied equally to every customer eligible for volume discounts. We verified that benefits under this program are widely and evenly distributed throughout the sectors with no sector receiving a disproportionate amount. Because the discounts provided by FNM are not limited to a specific enterprise or industry, or group of enterprises or industries, we preliminarily determine that they are not countervailable.

E. ALTEX

In their November 13, 1998, submission petitioners claim that the ALTEX program is designed to provide registered exporters with administrative and financial assistance for product promotion. Under the ALTEX program, assistance is limited to companies with export sales of at least U.S.$2 million annually or companies with export sales of at least 40 percent of gross sales. Companies must maintain a positive trade balance. In addition to administrative and financial assistance for promotion, petitioners allege that ALTEX entities are provided with PITEX program benefits (companies that export a certain percentage of their goods do not pay duties on imports used in the production of exported goods). Petitioners further allege that immediate VAT refunds and increased financial support from the GOM in the form of debt supplied at preferred interest rates through Bancomext, are additional benefits available to exporters that qualify under the ALTEX program.

At verification we learned that the ALTEX program provides administrative facilities to exporters in the form of immediate VAT reimbursements. We asked government officials to describe the benefits of being

designated as an ALTEX company. GOM officials explained that it usually takes about 60 days for the GOM to reimburse non-ALTEX companies while only taking 15 days to reimburse ALTEX companies. Regarding eligibility requirements, GOM officials said that exports must constitute 40 percent of participating companies' sales or a minimum of 2 million U.S. dollars of their total sales.

In addition to receiving VAT redemptions on an expedited basis, GOM officials explained that ALTEX companies are eligible to receive detailed import and export information on a product-specific basis for free while non-ALTEX companies must pay a nominal amount for access to the information. We learned, however, that the fee paid by non-ALTEX companies is very nominal such that the differential between ALTEX and non-ALTEX companies is not significant.

We also learned at verification that loans, such as the type of loans offered under the Bancomext program, are not offered under the ALTEX program. We verified that enrollment under the ALTEX program does not have any bearing on the bestowal of loans under the Bancomext program. In addition, benefits under the ALTEX program that are described in the program legislation are listed under a section that is separate from the section in which the Bancomext program is discussed, thereby indicating that the two programs are not related.

Regarding VAT refunds, we verified that the ALTEX program was intended to reduce the amount of time exporters had to wait for VAT refunds. We found that, according to the law, ALTEX companies are supposed to receive their refunds in 7 days as opposed to non-ALTEX companies that usually must wait approximately 50 days. Companies have the option of reimbursement in the following month or they can apply the credit to any VAT payments due the following month.

The Department has previously determined that when the time-lag for VAT credits that all other companies eventually receive is short, VAT exemptions do not confer a measurable time-value-of-money benefit upon participating companies that received the VAT exemption. *See, e.g., Ball Bearings Final,* 60 FR at 52373 and *Ball Bearings Preliminary,* 61 FR at 37796. As in these cited cases, the time difference between ALTEX company refunds and non-ALTEX company refunds was not long enough to confer a time-value-of-money benefit. Thus, we preliminarily determine that the accelerated VAT refunds under the ALTEX program are not countervailable.

III. Other Program Examined

A. NAFINSA

Nafinsa provides long-term financing to Mexican enterprises in various geographical areas of Mexico. Until December 31, 1988, Nafinsa acted as a first-tier bank, *i.e.,* a commercial bank, providing funds directly to Mexican firms. In 1989, Nafinsa began acting as a second-tier bank—a bank which acts as an intermediary between various international lending organizations and Mexican commercial banks. During the POR, Nafinsa acted only as a second-tier bank for new loans. We found during verification that Nafinsa still administers loans granted prior to 1989 for which it acted as the first-tier bank and long-term loans previously taken out under the FONEI program. AHMSA had a Nafinsa long-term loan outstanding during the POR, for which Nafinsa acted as a second tier bank.

We learned at verification that in its capacity as a second-tier bank Nafinsa establishes a rate to be charged to the commercial banks after which the banks and the companies independently negotiate the final interest rate. The GOM has no involvement in the negotiating process between the commercial banks and companies. The core rate that Nafinsa charges to commercial banks is the same regardless of the size of the ultimate recipient. We verified that the commercial banks were free to determine the interest rate charged to the companies. We found that, while the government does not know which company will ultimately receive the loan at the time the money is lent to the commercial bank, the banks must eventually inform Nafinsa of the ultimate recipient via an annual report that participating banks must submit to the GOM. AHMSA had one outstanding NAFINSA loan with principal and interest during the POR. The company received this loan from a commercial bank which acted as the first tier bank for the financing. This was a long-term variable rate loan.

To determine the benefit we compared the interest rate charged on this loan to a benchmark interest rate. As discussed in the ''Subsidies Valuation'' section of this notice, AHMSA submitted company-specific interest rate information on short and long-term loans that it received from commercial banks. Thus, we used the long-term variable rate loans to calculate a company-specific, weighted-average, U.S. dollar-denominated benchmark interest rate. We compared this company-specific benchmark rate to the interest rates charged on AHMSA's Nafinsa loan and found that the interest rates charged were higher than the benchmark rate. Therefore, we preliminarily determine that this program did not confer a countervailable benefit during the POR because the interest rates charged on this loan was higher than what a company otherwise would have had to pay on a comparable long-term commercial loan.

IV. Programs Not Used

A. Bancomext Short-Term Import Financing
B. FONEI Long-Term Financing
C. Export Financial Restructuring
D. Bancomext Trade Promotion Services and Technical Support
E. ECEX
F. Article 15 & 94 Loans

Preliminary Results of Review

In accordance with 19 C.F.R. 351.221(b)(4)(i), we have calculated an individual subsidy rate for AHMSA, the producer/exporter subject to this administrative review. For the period January 1, 1997 through December 31, 1997, we preliminarily determine the net subsidy for AHMSA to be 16.31 percent *ad valorem*. If the final results of this review remain the same as these preliminary results, the Department intends to instruct the U.S. Customs Service to assess countervailing duties for AHMSA at 16.31 percent *ad valorem* of the f.o.b. invoice price on all shipments of the subject merchandise from AHMSA, entered, or withdrawn from warehouse, for consumption on or after the date of publication of the final results of this review.

Because the URAA replaced the general rule in favor of a country-wide rate with a general rule in favor of individual rates for investigated and reviewed companies, the procedures for establishing countervailing duty rates, including those for non-reviewed companies, are now essentially the same as those in antidumping cases, except as provided for in section 777A(e)(2)(B) of the Act. The requested review will normally cover only those companies specifically named. *See* 19 C.F.R. 355.22(b). Pursuant to 19 C.F.R. 355.22(c), for all companies for which a review was not requested, duties must be assessed at the cash deposit rate, and cash deposits must continue to be collected, at the rate previously ordered. As such, the countervailing duty cash deposit rate applicable to a company can no longer change, except pursuant to a request for a review of that company. *See Federal-Mogul*

Corporation and The Torrington Company v. *United States*, 822 F. Supp. 782 (CIT 1993) and *Floral Trade Council* v. *United States*, 822 F. Supp. 766 (CIT 1993) (interpreting 19 C.F.R. 353.22(e), the antidumping regulation on automatic assessment, which is identical to 19 C.F.R. 355.22(g)). Therefore, the cash deposit rates for all companies except those covered by this review will be unchanged by the results of this review.

We will instruct Customs to continue to collect cash deposits for non-reviewed companies at the most recent company-specific or country-wide rate applicable to the company. Accordingly, the cash deposit rates that will be applied to non-reviewed companies covered by this order are those established in the most recently completed administrative proceeding conducted under the URAA. If such a review has not been conducted, the rate established in the most recently completed administrative proceeding pursuant to the statutory provisions that were in effect prior to the URAA amendments is applicable. *See Certain Steel 1993*. These rates shall apply to all non-reviewed companies until a review of a company assigned these rates is requested. In addition, for the period January 1, 1997 through December 31, 1997, the assessment rates applicable to all non-reviewed companies covered by this order are the cash deposit rates in effect at the time of entry.

Public Comment

Pursuant to 19 C.F.R. 351.224(b), the Department will disclose to parties to the proceeding any calculations performed in connection with these preliminary results within five days after the date of publication of this notice. Pursuant to 19 C.F.R. 351.309, interested parties may submit written comments in response to these preliminary results. Case briefs must be submitted within 30 days after the date of publication of this notice, and rebuttal briefs, limited to arguments raised in case briefs, must be submitted no later than five days after the time limit for filing case briefs. Parties who submit argument in this proceeding are requested to submit with the argument: (1) a statement of the issue, and (2) a brief summary of the argument. Case and rebuttal briefs must be served on interested parties in accordance with 19 C.F.R. 351.303(f). Also, pursuant to 19 C.F.R. 351.310, within 30 days of the date of publication of this notice, interested parties may request a public hearing on arguments to be raised in the case and rebuttal briefs. Unless the Secretary specifies otherwise, the hearing, if requested, will be held two days after the date for submission of rebuttal briefs, that is, thirty-seven days after the date of publication of these preliminary results.

The Department will publish the final results of this administrative review, including the results of its analysis of issues raised in any case or rebuttal brief or at a hearing.

This administrative review is issued and published in accordance with sections 751(a)(1) and 777(i)(1) of the Act (19 U.S.C. 1675(a)(1) and 19 U.S.C. 1677f(i)(1)).

Dated: August 31, 1999.

Richard W. Moreland,

Acting Assistant Secretary for Import Administration.

[FR Doc. 99–23323 Filed 9–7–99; 8:45 am]

BILLING CODE 3510–DS–P

DEPARTMENT OF COMMERCE

International Trade Administration

[C–122–815]

Pure Magnesium and Alloy Magnesium From Canada: Final Results of Countervailing Duty Administrative Reviews

AGENCY: Import Administration, International Trade Administration, Department of Commerce.

ACTION: Notice of final results of countervailing duty administrative reviews.

SUMMARY: On May 7, 1999, the Department of Commerce published in the **Federal Register** its preliminary results of the administrative reviews of the countervailing duty orders on pure magnesium and alloy magnesium from Canada for the period January 1, 1997, through December 31, 1997. The Department has now completed these reviews in accordance with section 751(a) of the Act. For information on the net subsidy rate for the reviewed company, as well as for all non-reviewed companies, *see* the Final Results of Reviews section of this notice. We will instruct the U.S. Customs Service to assess countervailing duties accordingly.

EFFECTIVE DATE: September 8, 1999.

FOR FURTHER INFORMATION CONTACT: Annika O'Hara or Blanche Ziv, AD/CVD Enforcement, Group I, Office 1, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230; telephone: (202) 482–3798 or (202) 482–4207, respectively.

Applicable Statute and Regulations

Unless otherwise indicated, all citations to the statute are references to the provisions of the Tariff Act of 1930, as amended by the Uruguay Round Agreements Act (''URAA''), effective January 1, 1995 (''the Act''). The Department of Commerce (''the Department'') is conducting these administrative reviews in accordance with section 751(a) of the Act. In addition, unless otherwise indicated, all citation to the Department's regulations are to the regulations codified at 19 CFR Part 351 (1998).

Background

On August 31, 1992, the Department published in the **Federal Register** the countervailing duty orders on pure magnesium and alloy magnesium from Canada (57 FR 39392).

In accordance with 19 CFR 351.213(b), the reviews of these orders cover those producers or exporters of the subject merchandise for which a review was specifically requested. Accordingly, these reviews cover only Norsk Hydro Canada, Inc. (''NHCI''), the sole producer or exporter of the subject merchandise for which a review was requested. The petitioner in these reviews is the Magnesium Corporation of America. These reviews cover 17 programs.

In the preliminary results of these reviews, the Department invited interested parties to comment on the results (*See Pure Magnesium and Alloy Magnesium From Canada: Preliminary Results of the Sixth Countervailing Duty Administrative Reviews*, 64 FR 24585 (May 7, 1999) (''*Preliminary Results*'')). However, no case briefs or rebuttal briefs were filed by interested parties. The Department did not conduct a hearing for these reviews because none was requested.

Scope of the Reviews

The products covered by these reviews are shipments of pure magnesium and alloy magnesium from Canada. Pure magnesium contains at least 99.8 percent magnesium by weight and is sold in various slab and ingot forms and sizes. Magnesium alloys contain less than 99.8 percent magnesium by weight with magnesium being the largest metallic element in the alloy by weight, and are sold in various ingot and billet forms and sizes.

The merchandise under review is currently classifiable under items 8104.11.0000 and 8104.19.0000 of the Harmonized Tariff Schedule of the United States (''HTSUS''). Although the HTSUS subheadings are provided for