access to all privileged and business proprietary information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Assistant Secretary for Import Administration.

If our final determination is affirmative, the ITC will make its final determination within 45 days after the Department makes its final determination.

Public Comment

In accordance with 19 CFR 355.38, we will hold a public hearing, if requested, to afford interested parties an opportunity to comment on this preliminary determination. The hearing will be held on September 22, 1997, at the U.S. Department of Commerce, Room 3708, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230. Individuals who wish to request a hearing must submit a written request within 30 days of the publication of this notice in the **Federal Register** to the Assistant Secretary for Import Administration, U.S. Department of Commerce, Room 1874, 14th Street and Constitution Avenue, N.W., Washington, DC 20230. Parties should confirm by telephone the time, date, and place of the hearing 48 hours before the scheduled time.

Requests for a public hearing should contain: (1) The party's name, address, and telephone number; (2) the number of participants; (3) the reason for attending; and (4) a list of the issues to be discussed. In addition, eight copies of the business proprietary version and three copies of the nonproprietary version of the case briefs must be submitted to the Assistant Secretary no later than September 8, 1997. Eight copies of the business proprietary version and three copies of the nonproprietary version of the rebuttal briefs must be submitted to the Assistant Secretary no later than September 15, 1997. An interested party may make an affirmative presentation only on arguments included in that party's case or rebuttal briefs. Written arguments should be submitted in accordance with 19 CFR 355.38 and will be considered if received within the time limits specified above. 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. If this investigation proceeds normally, we will make our final determination by October 14, 1997.

This determination is published pursuant to sections 703(f) and 777(i) of the Act.

Date: July 28, 1997.

Jeffrey P. Bialos,

Acting Assistant Secretary for Import Administration.

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DEPARTMENT OF COMMERCE

International Trade Administration

[C–307–814]

Preliminary Affirmative Countervailing Duty Determination: Steel Wire Rod From Venezuela

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

EFFECTIVE DATE: August 4, 1997.

FOR FURTHER INFORMATION CONTACT: Christopher Cassel, Robert Copyak, or Richard Herring, Office of CVD/AD Enforcement VI, Import Administration, U.S. Department of Commerce, Room 1874, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230; telephone (202) 482–2786.

Preliminary Determination

The Department preliminarily determines that countervailable subsidies are being provided to CVG-Siderurgica del Orinoco (SIDOR), a producer and exporter of steel wire rod from Venezuela. For information on the estimated countervailing duty rates, please see the *Suspension of Liquidation* section of this notice.

Case History

Since the publication of the notice of initiation in the **Federal Register** (62 FR 13866, March 24, 1997), the following events have occurred. On April 2, 1997, we issued our initial countervailing duty questionnaires concerning petitioners' allegations to the Government of Venezuela (GOV) and SIDOR. On May 2, 1997, we postponed the preliminary determination of this investigation until July 28, 1997 (62 FR 25172, May 8, 1997). We received responses to our initial questionnaires from the GOV and SIDOR on May 28, 1997. On June 18, 1997, we issued supplemental questionnaires to the parties. Responses to these supplemental questionnaires were submitted on July 3, 1997, from SIDOR and on July 9, 1997, from the GOV. Additional information was also requested from SIDOR and the GOV on July 15, 1997. On July 21, 1997, SIDOR and the GOV submitted their response to our July 15, 1997, request for additional information. On July 25, 1997, we issued another supplemental questionnaire to SIDOR and the GOV.

On June 17, 1997, we initiated an examination of whether electricity was provided to SIDOR for less than adequate remuneration during the period of investigation. *See* Memorandum from The Team to Jeffrey P. Bialos, dated June 17, 1997, Re: Countervailing Duty Investigation of Steel Wire Rod from Venezuela: Initiation of New Subsidy Allegation, which is in the public file of the Central Records Unit, Room B–099 of the Department of Commerce. Because of the late date of this initiation, we are still seeking additional information on whether this program conferred a countervailable subsidy on the production/exportation of the subject merchandise. Therefore, the countervailability of this program will be addressed in our final determination. In addition, during our review of the questionnaire responses, we discovered that SIDOR may be receiving countervailable subsidies under the GOV's Exporter Policy program (REFE). However, additional information is still being sought on this program. Accordingly, the countervailability of the REFE will be addressed in our final determination.

Scope of Investigation

The products covered by this investigation are certain hot-rolled carbon steel and alloy steel products, in coils, of approximately round cross section, between 5.00 mm (0.20 inch) and 19.0 mm (0.75 inch), inclusive, in solid cross-sectional diameter. Specifically excluded are steel products possessing the above noted physical characteristics and meeting the Harmonized Tariff Schedule of the United States (HTSUS) definitions for (a) stainless steel; (b) tool steel; (c) high nickel steel; (d) ball bearing steel; (e) free machining steel that contains by weight 0.03 percent or more of lead, 0.05 percent or more of bismuth, 0.08 percent or more of sulfur, more than 0.4 percent of phosphorus, more than 0.05 percent of selenium, and/or more than 0.01 percent of tellurium; or f) concrete reinforcing bars and rods.

The following products are also excluded from the scope of this investigation:

Coiled products 5.50 mm or less in true diameter with an average partial decarburization per coil of no more than 70 microns in depth, no inclusions greater than 20 microns, containing by weight the following: carbon greater

than or equal to 0.68 percent; aluminum less than or equal to 0.005 percent; phosphorous plus sulfur less than or equal to 0.040 percent; maximum combined copper, nickel and chromium content of 0.13 percent; and nitrogen less than or equal to 0.006 percent. This product is commonly referred to as ''Tire Cord Wire Rod.''

Coiled products 7.9 to 18 mm in diameter, with a partial decarburization of 75 microns or less in depth and seams no more than 75 microns in depth; containing 0.48 to 0.73 percent carbon by weight. This product is commonly referred to as ''Valve Spring Quality Wire Rod.''

The products under investigation are currently classifiable under subheadings 7213.91.3000, 7213.91.4500, 7213.91.6000, 7213.99.0030, 7213.99.0090, 7227.20.0000, and 7227.90.6050 of the HTSUS. Although the HTSUS subheadings are provided for convenience and customs purposes, our written description of the scope of this investigation is dispositive.

The 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 effective January 1, 1995 (the ''Act'').

Injury Test

Because Venezuela is a ''Subsidies Agreement Country'' within the meaning of section 701(b) of the Act, the ITC is required to determine whether imports of steel wire rod from Venezuela materially injure, or threaten material injury to, a U.S. industry. On April 30, 1997, the ITC published its preliminary determination, finding that there is a reasonable indication that an industry in the United States is being materially injured or threatened with material injury by reason of imports from Venezuela of the subject merchandise (62 FR 23485).

Petitioners

The petition in this investigation was filed by Connecticut Steel Corp., Co-Steel Raritan, GS Industries, Inc., Keystone Steel & Wire Co., North Star Steel Texas, Inc., and Northwestern Steel and Wire (the petitioners), six U.S. producers of wire rod.

Subsidies Valuation Information

Period of Investigation

The period for which we are measuring subsidies (the ''POI'') is calendar year 1996.

Allocation Period

In the past, the Department has relied upon information from the U.S. Internal Revenue Service on the industry-specific average useful life of assets in determining the allocation period for nonrecurring subsidies. *See General Issues Appendix* (*GIA*), appended to *Final Countervailing Duty Determination; Certain Steel Products from Austria,* 58 FR 37217, 37226 (July 9, 1993). However, in *British Steel plc.* v. *United States,* 879 F. Supp. 1254 (CIT 1995) (*British Steel*), the U.S. Court of International Trade (the Court) ruled against this allocation methodology. In accordance with the Court's remand order, the Department calculated a company-specific allocation period for nonrecurring subsidies based on the average useful life (AUL) of non-renewable physical assets. This remand determination was affirmed by the Court on June 4, 1996. *British Steel,* 929 F. Supp. 426, 439 (CIT 1996).

In this investigation, the Department has followed the Court's decision in *British Steel.* Therefore, for the purposes of this preliminary determination, the Department has calculated a company-specific AUL. Based on information provided by SIDOR regarding the company's depreciable assets, the Department has preliminarily determined that the appropriate allocation period for SIDOR is 20 years.

Equityworthiness

In analyzing whether a company is equityworthy, the Department considers whether or not that company could have attracted investment capital from a reasonable, private investor in the year of the government equity infusion based on information available at that time. In this regard, the Department has consistently stated that a key factor for a company in attracting investment capital is its ability to generate a reasonable return on investment within a reasonable period of time.

In making an equityworthiness determination, the Department examines the following factors, among others:

1. Current and past indicators of a firm's financial condition calculated from that firm's financial statements and accounts;

2. Future financial prospects of the firm including market studies, economic forecasts, and projects or loan appraisals;

3. Rates of return on equity in the three years prior to the government equity infusion;

4. Equity investment in the firm by private investors; and

5. Prospects in the marketplace for the product under consideration.

For a more detailed discussion of the Department's equityworthiness criteria, *see* the *GIA,* 58 FR at 37244.

In this case, we initiated an investigation of SIDOR's equityworthiness for the years 1977 through 1990 and for the year 1992. See Memorandum from The Team to Jeffrey P. Bialos, dated March 18, 1997, Re: Initiation of Countervailing Duty Investigation: Steel Wire Rod from Venezuela (*Initiation Memo*), which is in the public file of the Central Records Unit, Room B–099 of the Department of Commerce. In past investigations, the Department preliminarily determined that SIDOR was equityworthy in 1977, and unequityworthy for the years 1978 through 1984. *See Preliminary Affirmative Countervailing Duty Determination; Certain Steel Products From Venezuela,* 50 FR 11230 (March 20, 1985) (*Steel Products from Venezuela*); and *Preliminary Affirmative Countervailing Duty Determination; Carbon Steel Wire Rod From Venezuela,* 50 FR 28234 (July 11, 1985) (*1985 Wire Rod from Venezuela*). Moreover, the Department initiated an investigation of SIDOR's equityworthiness for the period 1985 through 1990. *See* the *Initiation Memo* and *Final Affirmative Countervailing Duty Determination: Circular Welded Non-Alloy Pipe from Venezuela,* 57 FR 42964 (September 17, 1992) (*Non-Alloy Pipe from Venezuela*). The petitioners alleged that SIDOR was unequityworthy in 1977 and provided an analysis of the company's financial information for the two years prior to 1977. Based on this information and the fact that the 1977 equityworthy decision was a preliminary finding, we initiated an investigation of SIDOR's equityworthiness in 1977. *See* Memorandum To Barbara E. Tillman, dated March 18, 1997, Re: Initiation of Creditworthy/Equityworthy Allegation (*Creditworthy/Equityworthy Memo*), which is in the public file of the Central Records Unit, Room B–099 of the Department of Commerce.

Based on our initiation, we requested financial ratios from SIDOR for the relevant years for each of the equity infusions. However, in its questionnaire response SIDOR provided financial ratios only for 1989 through 1992, stating that it could not access the data that would lead to a reversal of the unequityworthy finding for years prior to 1990. Because SIDOR has not provided any information in this investigation that calls into question the Department's prior determinations that the company was unequityworthy for the years 1978 through 1990, we

preliminarily determine that the GOV equity investments made in those years were inconsistent with the usual investment practice of private investors. With respect to the 1977 equity infusions, neither party has provided any information beyond what the Department examined in the prior proceeding in which we found the company to be equityworthy for that year. Therefore, because no new information has been submitted in this proceeding to indicate that our prior preliminary decision was incorrect, we find that it is appropriate to follow that earlier determination, and preliminarily determine SIDOR to be equityworthy in 1977.

With respect to the 1992 debt to equity conversion on which we initiated, the agreement between SIDOR and the GOV for this transaction was signed on May 18, 1993, with the debt conversion being made retroactive to October 28, 1992. However, in the questionnaire responses, the GOV stated that the decision to convert 60 percent of SIDOR's debt into equity was made in October 1991. Therefore, we consider 1991 to be the relevant year for purposes of determining whether the conversion of debt to equity was consistent with the usual investment practices of private investors. Respondents claim that this conversion of SIDOR's debt for equity by the Ministry of Finance (Hacienda) was consistent with the usual investment practices of private investors. SIDOR and the GOV indicate that the company's financial situation was significantly improved by that time, the result of a major restructuring process begun in 1989 aimed at improving profitability and international competitiveness. Prior to 1992, SIDOR had reduced the number and variety of products it produced by 10 percent, made new investments in technology, lowered per unit costs by 20 percent in constant terms, decreased personnel by 20 percent, and steadily increased capacity utilization. SIDOR claims that these pre-1992 improvements formed the basis for the GOV's decision in 1991 to convert 60 percent of SIDOR's debt into equity. According to the GOV, this transaction was expected to complete the turnaround of the company by substantially increasing its cash flow and profits necessary to support the investment required for SIDOR's continued improvement.

Our analysis of SIDOR's financial information during the three years prior to 1991 indicates that there was no consistent trend during that period. SIDOR showed small profits in 1988 and 1989, against a small loss in 1990. While SIDOR's return on equity also turned negative in 1990, the company experienced a positive return on equity in 1988 and 1989. Moreover, in each of these years, the operating margin of profit was positive. Therefore, in light of the steps taken by SIDOR to enhance its competitiveness, and because the company experienced a positive return on equity for 1988 and 1989, we preliminarily determine that SIDOR was equityworthy in 1991. In reaching this determination, we recognize that there are significant issues which we must continue to examine. Among these are the effects of inflation on a company's financial picture, as well as the factors affecting a reasonable investor's decision to invest in the company during these years. Additional factors that may affect potential investors include liquidity issues and the ability of the company to service its long-term debt, especially in light of SIDOR's debt problems over these years. We will continue to address these issues and collect additional information during the course of this proceeding.

In our review of SIDOR's questionnaire response, we found that in 1993 and 1994, CVG transferred land to SIDOR to cancel unpaid capital subscriptions. Therefore, we analyzed SIDOR's financial performance for the years 1990 through 1993 to determine whether SIDOR was equityworthy in the years 1993 and 1994. As stated above, SIDOR experienced losses in 1990. However, SIDOR's financial performance showed signs of improvement after 1990—in 1991 and 1992 the company returned to profitability, and the company's negative equity in 1990 turned positive in 1991 and in 1992. Moreover, the company's cash flow to debt also improved in these years, as did the company's current and quick ratios. In light of SIDOR's generally positive financial performance over the 1990 through 1993 period, we preliminarily determine that SIDOR was equityworthy in 1993 and 1994.

Equity Methodology

In measuring the benefit from a government equity infusion to an unequityworthy company, the Department compares the price paid by the government for the equity to a market benchmark, if such a benchmark exists, i.e., the price of publicly traded shares of the company's stock or an infusion by a private investor at the time of the government's infusion (the latter may not always constitute a proper benchmark based on the specific circumstances in a particular case).

Where a market benchmark does not exist, the Department has determined in this investigation to continue to follow the methodology described in the GIA, 58 FR at 37239. Following this methodology, equity infusions made on terms inconsistent with the usual practice of a private investor are treated as grants. Using the grant methodology for equity infusions into an unequityworthy company is based on the premise that an unequityworthiness finding by the Department is tantamount to saying that the company could not have attracted investment capital from a reasonable investor in the infusion year based on the available information.

Creditworthiness

When the Department examines whether a company is creditworthy, it is essentially attempting to determine if the company in question could obtain commercial financing at commonly available interest rates. If a company receives comparable long-term financing from commercial sources, that company will normally be considered creditworthy. In the absence of comparable commercial borrowings, the Department examines the following factors, among others, to determine whether or not a firm is creditworthy:

1. Current and past indicators of a firm's financial health calculated from that firm's financial statements and accounts.
2. The firm's recent past and present ability to meet its costs and fixed financial obligations with its cash flow.
3. Future financial prospects of the firm including market studies, economic forecasts, and projects or loan appraisals.

For a more detailed discussion of the Department's creditworthiness criteria, *see, e.g., Final Affirmative Countervailing Duty Determinations: Certain Steel Products from France,* 58 FR 37304 (July 9, 1993); and *Final Affirmative Countervailing Duty Determinations: Certain Steel Products from the United Kingdom,* 58 FR 37393 (July 9, 1993).

Petitioners have alleged that SIDOR was uncreditworthy in each of the years the company received GOV equity infusions, *i.e.*, 1977 through 1992 (with the exception of 1988). In *Non-Alloy Pipe from Venezuela,* the Department initiated an examination of SIDOR's creditworthiness for the years 1985 through 1990. For all other years, the Department initiated an examination of SIDOR's creditworthiness based upon an analysis of SIDOR's cash flow and financial ratios. *See* 57 FR at 42964, and the *Creditworthy/Equityworthy Memo.*

As outlined above under the ''Equityworthiness'' section, for all the years except 1989 through 1992, SIDOR did not submit financial data beyond what was examined in the initiation stage, stating that such information was inaccessible. Therefore, because SIDOR has not provided any information that rebuts the Department's initiation analysis, we preliminarily determine that SIDOR was uncreditworthy in each of the years for which we have preliminarily determined SIDOR to be unequityworthy, *i.e.*, 1978 through 1990.

Discount Rates

For uncreditworthy companies, our practice is to use as the discount rate the highest long-term fixed interest rate commonly available to firms in the country plus an amount equal to 12 percent of the prime rate. *See Final Affirmative Countervailing Duty Determination: Grain-Oriented Electrical Steel From Italy*, 59 FR 18357, 18358 (April 18, 1994). (*GOES*). SIDOR did not provide company-specific long-term debt information because the company has not received any long-term loans in domestic currency since 1977. However, in the countervailing duty investigation of carbon steel products from Venezuela, the Department used, for benchmark purposes, data on long-term domestic corporate bond yields, published in Morgan Guaranty Trust Company's *World Financial Markets*. *See Preliminary Affirmative Countervailing Duty Determinations: Certain Carbon Steel Products from Venezuela*, 54 FR 11227, 11229 (March 20, 1985). This data is available through 1987 and represents the highest long-term fixed interest rate for bolivar financing we were able to locate. For the period after 1987, the GOV explained that the primary mechanism for obtaining long-term domestic currency financing in Venezuela has been through short-term loans. Such a loan would continually be rolled-over with a new short-term interest rate applied each year, thus becoming, in effect, a long-term variable rate loan. We were unable to locate any information on long-term fixed interest rates in bolivars for these years. Therefore, to calculate the benefit from non-recurring countervailable subsidies received by SIDOR through 1987, we have used the long-term corporate bond rates in Venezuela as the discount rate, published by Morgan Guaranty Trust Company in *World Financial Markets*. This conforms with our practice followed in *GOES*, 59 FR at 18358. For the years 1988 through 1990, we have used as the discount rate the average short-term interest rate, provided by the GOV in the questionnaire response and based on data from the leading commercial banks in Venezuela.

Because we preliminarily determine SIDOR to be uncreditworthy for the years 1978 through 1990, we added to the discount rates a risk premium of 12 percent. Moreover, we have adjusted the discount rate to take into account inflation because Venezuela has experienced intermittent periods of high inflation over the past twenty years, and because SIDOR has adjusted its financial statements to take into account the effects of inflation since 1993. *See, e.g., Industrial Phosphoric Acid from Israel: Final Results of Countervailing Duty Administrative Review,* 61 FR 53351 (October 11, 1996) (*IPA from Israel*).

Based upon our analysis of the petition and the responses to our questionnaires, we preliminary determine the following:

I. Programs Preliminarily Determined to Be Countervailable

A. GOV Equity Infusions into SIDOR

SIDOR received GOV equity infusions in every year from 1977 through 1991, except 1988. SIDOR is a 100-percent government-owned company. Its parent company is Corporacion Venezolana de Guayana (CVG), a holding company owned by the GOV charged with promoting industrial development in the Guayana Region. The majority of the equity infusions were made by the Fondo de Inversiones de Venezuela (FIV), a Venezuelan investment fund. The remaining funds were provided by the Ministry of Finance (Hacienda), primarily as interest payments on loans. According to the response of the GOV, the government equity infusions into SIDOR were provided pursuant to specific laws adopted with respect to government-approved expansion projects of SIDOR. Thus, these equity infusions were specific under section 771(5A)(D) of the Act.

Equity funds disbursed to SIDOR by the FIV were made pursuant to special laws passed by the Venezuelan Congress and were not part of any government program. The first law, published in the Gaceta Oficial No. 30,587 on January 2, 1975, authorized SIDOR's 1974–79 ''Plan IV'' expansion. This expansion was aimed at increasing SIDOR's steel production by 3.6 million tons as well as increasing the company's rolling capacity for flat and non-flat products. The government equity infusions under Plan IV were not disbursed in the amounts or at the time originally projected in this plan. However, the amounts received by SIDOR were recorded in the company's annual financial statements in the year they were received. Equity funds also were provided to SIDOR in accordance with a 1987 law passed by the Venezuelan Congress. This law was published in the Gaceta Oficial No. 33,771 on December 21, 1987. The FIV received both preferred and common shares for these equity investments into SIDOR.

As noted above, funds were also provided to SIDOR by the Hacienda. Funds provided by the Hacienda between 1977 and 1981 were authorized under Article 11 of a 1976 Special Law for Public Credit and were also made pursuant to a June 26, 1977, agreement between the Hacienda, FIV, CVG and SIDOR. Under this agreement, the Hacienda agreed to pay SIDOR's interest on loans from the FIV in return for shares in the company. Equity payments made between 1984 and 1986 were provided pursuant to government Decree 390 of December 1984, authorizing the Haicenda to help SIDOR service its foreign debt. Finally, a 1987 loan from the Hacienda to SIDOR was converted into equity, but recorded as an advance for future capital increase.

SIDOR records all Hacienda equity funds in the years the funds were received. However, the capital investments appeared in SIDOR's annual financial statements as ''Advances for Future Capital Increase.'' In 1989, all advances were converted into shares issued to Hacienda, the delay stemming from a disagreement between the Hacienda and CVG as to who should take ownership of the shares. The issue was resolved in 1989, and on the same day the shares were issued to Hacienda, they were transferred to CVG, SIDOR's parent company. We have treated these Hacienda funds as capital investments in each year in which they were received by SIDOR. According to the agreement under which the Hacienda funds were provided, the funds are to be treated as capital infusions.

In 1991, following several years of restructuring by SIDOR, the GOV agreed to convert 60 percent of SIDOR's debt and the interest accrued on the debt into equity which was converted into shares provided to Hacienda. This debt related to SIDOR's pre-1986 foreign currency loans that had been restructured in accordance with government Decree 1261 of November 15, 1990. As a result of this conversion, the Hacienda now holds 39.68 percent of SIDOR's shares. As of December 31, 1996, the remaining 60.32 percent were held by SIDOR's parent company, CVG.

In 1993 and 1994, also in connection with SIDOR's Plan IV expansion project, CVG transferred some of the land on which the company constructed the Plan IV expansion. The land was used as payment for unpaid capital subscriptions from CVG. At the time, CVG purchased only about half of the 1,860,000 shares in SIDOR it had subscribed to. We consider the land transfers to be capital investments in each year in which they were received by SIDOR.

We have preliminarily determined that the equity infusions into SIDOR in the years 1978 through 1990 constitute countervailable subsidies in accordance with section 771(5)(E)(i) of the Act because the GOV investments were not consistent with the usual investment practice of private investors. We have also preliminarily determined SIDOR to be equityworthy in 1991, 1993 and 1994, and therefore are not calculating any benefit from the infusions made in these years. *See* the discussion on ''Equityworthiness'' above. As explained in the ''Subsidies Valuation Information'' section, we have treated equity infusions in unequityworthy companies as grants given in the year the capital was received. We have further determined these infusions to be non-recurring subsidies. Therefore, for the reasons outlined in the ''Subsidies Valuation Information'' section above, we have allocated the benefits over 20 years.

Because Venezuela experienced periods of high inflation during the period 1978 through 1996 (the rates ranged from 7 percent to 103 percent, with an average rate of 34 percent), we must take into account the effects of inflation to accurately value the benefit from GOV equity infusions. *See, e.g., IPA from Israel* 61 FR 53351, and *Final Affirmative Countervailing Duty Determination; Certain Steel Products from Mexico*, 58 FR 37352, 37355 (July 9, 1993). Therefore, we consider that it is appropriate to adjust the principal and interest amount in each year for inflation. This approach is also supported by the fact that Venezuelan companies over the past several years have been adjusting their financial statements to reflect inflation (including asset and equity accounts). This methodology is discussed in the ''Calculation Memorandum to the File,'' dated July 28, 1997 (public version on file in the Central Records Unit of the Department of Commerce, Room B–099). Information on the discount rates we are using to calculate the benefit from these equity infusions is discussed in the ''Discount Rates'' section above.

To calculate the total benefit from the infusions to SIDOR, we summed the benefit allocated to the POI from each equity infusion. We then divided that total benefit by SIDOR's total sales of all products during the POI. On this basis, we preliminarily determine the net subsidy for this program to be 10.72 percent *ad valorem* for SIDOR.

B. Dividend Advances from the Hacienda

Between 1977 and 1981, pursuant to a June 26, 1977 agreement among the Hacienda, FIV, CVG and SIDOR, the Hacienda paid dividends on behalf of SIDOR on the preferred shares held by FIV. These were recorded in SIDOR's accounting records as ''Dividend Advances.'' These dividend advances are still reported in SIDOR's 1996 financial statement. According to the 1996 financial statement, the final treatment of these dividend advances has not been decided. Because the payment by the Hacienda of dividends on behalf of SIDOR is based on an agreement signed among the Hacienda, FIV, CVG and SIDOR, the payment of dividends by the Hacienda, a Government agency, is limited to one company, SIDOR, and is, thus, specific under section 771(5A)(D) of the Act. To determine whether a benefit has been provided, the Department must determine whether SIDOR was obligated to pay dividends to FIV on the preferred shares. If the Hacienda relieved SIDOR of a payment obligation, then the payment of dividends by the Hacienda on behalf of SIDOR constitutes a countervailable subsidy.

According to its supplemental questionnaire response, SIDOR had fiscal losses in the years the dividend payments were made. Therefore, SIDOR stated that it was not obligated to pay any dividends. To determine whether SIDOR was obligated to pay the dividends to FIV on the preferred shares, we also reviewed the 1977 agreement among the Hacienda, FIV, CVG and SIDOR. According to this agreement, the preferred shares yielded a fixed yearly dividend equivalent to seven percent of their nominal value and, therefore, SIDOR was obligated to pay fixed yearly dividends to FIV. Because the payment of dividends by the Hacienda to FIV relieved SIDOR of a financial obligation, we preliminarily determine that the outstanding balance of the ''Dividend Advances'' provides a countervailable subsidy to SIDOR.

In order to calculate the benefit from this program, we have preliminarily determined to treat the dividend advances as interest-free short-term loans because the advances appear to be liabilities of SIDOR. The 1977 agreement, under which these dividends were paid, does not state that these are capital infusions into SIDOR by the Hacienda. In addition, neither the GOV or SIDOR have treated these dividend advances as capital infusions. Thus, it appears, that SIDOR is still liable for repayment of the dividend advances.

To calculate the benefit in the POI, we took the amount of the dividend advances reported in SIDOR's 1996 financial statement and calculated the amount of interest the company would have paid in 1996 if it had received an interest-free loan equal to the amount of the dividend advances. We used as our benchmark interest rate the annual average short-term interest rate reported by the GOV in its supplemental response. (If available, we intend to use the company's actual short-term interest rates, in the final determination, and we are seeking information from SIDOR on the actual interest rates it paid in 1996 on comparable short-term commercial loans.) The calculated interest savings was then divided by SIDOR's total sales in the POI. On this basis, we preliminarily determine the net subsidy for this program to be less than 0.005 percent *ad valorem* for SIDOR.

C. Government Provision of Iron Ore

Petitioners have alleged that Ferrominera, a government-owned company, provided iron ore to SIDOR for less than adequate remuneration. Iron ore is a bulky, low-priced commodity that is traded on international markets and is used in the production of steel. SIDOR purchases all of its iron ore from Ferrominera, the only Venezuelan producer of iron ore. Like SIDOR, Ferrominera is owned by the government and is one of the 37 companies in the CVG Group.

SIDOR has a multi-year supply contract with Ferrominera, under which Ferrominera sets SIDOR's iron ore prices on an annual basis. According to SIDOR's questionnaire response, no contract existed between SIDOR and Ferrominera for 1996 because the parties were unable to agree on the price. When Ferrominera announced a new price for 1996, SIDOR objected and tried to renegotiate the price. Because of this objection, Ferrominera did not apply SIDOR's new price immediately. Rather, it began invoicing at the new price in June 1996. After negotiations failed, SIDOR and Ferrominera entered into an arbitration process. Ultimately, the 1996 price originally proposed by Ferrominera was agreed upon retroactive to January 1, 1996. The unit price (*i.e.*, the price per ''metric ton

natural iron unit'') is set in U.S. dollars, and the terms of sale are FOB, place of loading. SIDOR is invoiced for its iron ore purchases at the end of each month, and the price in bolivars on the invoice is based on the exchange rate in effect on the last working day of the month.

According to the GOV, iron ore is an internationally traded commodity, and Ferrominera sets its prices in the domestic market based on prices in the international market. In Venezuela, Ferrominera is the only producer of iron ore in the country, and 99 percent of its domestic sales are to the steel industry. Because the steel industry is virtually the only user of iron ore, we preliminarily determine that the provision of iron ore by Ferrominera is specific under section 771(5A)(D) of the Act.

According to section 771(5)(E) of the Act, the adequacy of remuneration (with respect to a government's provision of a good) ''shall be determined in relation to prevailing market conditions for the good or service being provided or the goods being purchased in the country which is subject to the investigation or review. Prevailing market conditions include price, quality, availability, marketability, transportation, and other conditions or purchase or sale.''

In circumstances like those presented in this case (*i.e.*, where the government is the sole provider of a commodity and the commodity is sold on a non-competitive basis to a limited number of users), the adequacy of remuneration cannot be determined through an examination of prices charged by the government provider. In such circumstances, it is necessary to use another benchmark to determine whether the good is being provided for less than adequate remuneration. As noted above, the government is the sole domestic source of iron ore in Venezuela. Therefore, absent restrictions on imports, the choice to the consumer of iron ore is the price of the good charged by the government or the imported price of that good.

We preliminarily determine that the appropriate benchmark is the alternative price that SIDOR would face in Venezuela if it could not purchase iron ore from Ferrominera, that is, the price SIDOR would pay to import iron ore. Although the GOV placed general customs data on the record which indicates that very small quantities of iron ore were imported into Venezuela during the POI, we do not have any specific information about these imports to determine whether they could be used to determine the benchmark price. We do not know the prices per metric ton paid because we cannot discern the ''metric ton natural iron unit'' prices, and we do not know whether these imports involved iron ore that is comparable to the iron ore SIDOR purchased from Ferrominera. Although the information regarding the imports of iron ore into Venezuela during the POI cannot be used to determine the benchmark price, we consider it appropriate to use prices that SIDOR would pay to import the same type of iron ore that it purchased from Ferrominera during the POI. Absent prices for actual imports, we consider it appropriate to calculate a benchmark price based on import prices that would be available in Venezuela for the same type of iron ore. Accordingly, we calculated the benchmark price using published price information on the record for pellet feed, the type of iron ore SIDOR purchases from Ferrominera.

In order to determine whether iron ore is provided to SIDOR for less than adequate remuneration, we need to have complete information on both the prices and delivery terms of the iron ore. This is because comparison of delivered prices reflects the price alternatives a company would face in the marketplace.

The price of iron ore charged to SIDOR by Ferrominera is based upon two separate contracts. The first contract sets the price for the iron ore, while the second contract establishes the delivery charges for the iron ore. We have information on the record regarding the price of iron ore set in the first contract, however, we are lacking complete information on the terms of the delivery contract. The prices charged to SIDOR under the first contract by Ferrominera are FOB, place of loading. According to the GOV's supplemental response, the iron ore is loaded at Ferrominera's processing facility in Puerto Ordaz and transported by train directly to SIDOR's factory. SIDOR owns the rail equipment but Ferrominera provides the transportation service and maintenance for a fee. Because we did not become aware of this transportation arrangement until we received the supplemental questionnaire responses, we were unable to solicit additional information on this transportation arrangement between Ferrominera and SIDOR for use in this preliminary determination. We are seeking additional information on this transportation arrangement which will be considered in our final determination.

Because we are unable to analyze this transportation arrangement, we are basing our determination of whether SIDOR has been provided with iron ore for less than adequate remuneration solely on the FOB, place of loading prices for iron ore charged to it by Ferrominera rather than a delivered price to SIDOR. As noted above, the FOB, place of loading price charged to SIDOR by Ferrominera is based upon SIDOR taking delivery of the iron ore at Ferrominera's processing facility in Puerta Ordaz. We have included in the benchmark iron ore price the cost of ocean freight to Puerta Ordaz. Thus, both the price to SIDOR from Ferrominera and the benchmark price are on the same basis. To determine the costs of ocean freight for the import price, we used the information provided in the questionnaire response from SIDOR. We compared the prices that SIDOR paid for iron ore from Ferrominera to the benchmark price and found that the Ferrorminera price was lower than the benchmark price. Therefore, we preliminarily determine that Ferrominera's sales of iron ore to SIDOR during the POI were made for less than adequate remuneration. As noted above, we are still seeking information on the delivery contract between SIDOR and Ferrominera, and we are see seeking additional information on delivery costs to use in our benchmark price. We invited interest parties to comment on this methodology.

To calculate the benefit, we first multiplied the quantity of iron ore that SIDOR purchased during the POI by the benchmark price. We then subtracted from this total the amount SIDOR actually paid in order to derive the aggregate amount of benefit. Because iron ore is an input used for all of SIDOR's production, we divided this amount by the company's total sales. On this basis, we preliminarily determine the net subsidy for this program to be 2.34 percent *ad valorem* for SIDOR.

II. Programs Preliminarily Determined To Be Not Countervailable

A. GOV Loan to SIDOR in 1990

We initiated on this program based upon petitioners' allegation that the GOV replaced a $1,507 million commercial loan to SIDOR with a 15-year loan from the government. In its response to our questionnaire, the GOV submitted information demonstrating that this 1990 GOV loan to SIDOR was part of a debt restructuring program which was examined and found not countervailable in the *Final Affirmative Countervailing Duty Determination: Ferrosilicon From Venezuela; and Countervailing Duty Order for Ferrosilicon From Venezuela*, 58 FR 27539 (May 10, 1993). Because petitioners have provided no new information or evidence of changed circumstances to warrant a

reconsideration of that determination, we continue to find this GOV debt restructuring program, under which this 1990 loan was received, not countervailable.

III. Programs Preliminarily Determined To Be Not Used

A. Government Guarantees of SIDOR's Private Debt in 1987 and 1988

In 1987 and 1988, the GOV guaranteed loans provided to SIDOR by Credito Italiano and Kreditanstalt Fuer Wiederaufbau (KfW), respectively. Both of these loans were Deutschmark (DM) denominated loans linked to the London Interbank Offering Rate (LIBOR).

According to SIDOR's and the GOV responses, the 1987 and 1988 loans were specifically applied for and authorized as part of a program to finance the expansion of SIDOR's pipe mill. The approval documents specify that the loans were for the expansion of SIDOR's pipe mill, in particular for purchasing equipment. These were authorized under the December 10, 1987, ''Law for the Contracting and Financing of the First Stage of the Project to Expand and Modernize SIDOR's Pipe Mill.'' Because the information submitted in the company and government responses states that the KfW and Credito Italiano loans were tied to financing the expansion of SIDOR's pipe mill, we preliminarily determine that the loans and the government guarantees of the loans are tied to non-subject merchandise and, thus, do not provide a benefit to wire rod. Therefore, we preliminarily determine that the GOV loan guarantees did not confer countervailable benefits on the production and/or exportation of subject merchandise, and that this program was not used during the POI.

B. Preferential Tax Incentives Under Decree 1477

Petitioners alleged that Decree 1477 provides partial or total income tax exemptions and other tax credits to companies in disadvantaged regions, including Bolivar, where SIDOR is located. According to petitioners, companies that relocated or commenced an expansion after March 23, 1976, qualify for tax incentives. In its response to our questionnaire, SIDOR stated that the company never applied for or received benefits under this program. Therefore, we preliminarily determine that this program was not used by SIDOR during the POI.

Verification

In accordance with section 782(i) of the Act, we will verify the information submitted by respondents prior to making a final determination.

Suspension of Liquidation

In accordance with section 703(d)(1)(A)(i) of the Act, we have calculated a subsidy rate for SIDOR, the one company under investigation. We also are applying SIDOR's rate to any companies not investigated or any new companies exporting the subject merchandise.

In accordance with section 703(d) of the Act, we are directing the U.S. Customs Service to suspend liquidation of all entries of steel wire rod from Venezuela which are entered, or withdrawn from warehouse, for consumption on or after the date of the publication of this notice in the **Federal Register**, and to require a cash deposit or bond for such entries of the merchandise in the amounts indicated below. This suspension will remain in effect until further notice.

Company	*Ad valorem* rate
SIDOR	13.06
All Others	13.06

ITC Notification

In accordance with section 703(f) of the Act, we will notify the ITC of our determination. In addition, we are making available to the ITC all nonprivileged and nonproprietary information relating to this investigation. We will allow the ITC access to all privileged and business proprietary information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Assistant Secretary for Import Administration.

If our final determination is affirmative, the ITC will make its final determination within 45 days after the Department makes its final determination.

Public Comment

In accordance with 19 CFR 355.38, we will hold a public hearing, if requested, to afford interested parties an opportunity to comment on this preliminary determination. The hearing will be held on September 22, 1997, at the U.S. Department of Commerce, Room 3708, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230. Individuals who wish to request a hearing must submit a written request within 30 days of the publication of this notice in the **Federal Register** to the Assistant Secretary for Import Administration, U.S. Department of Commerce, Room 1874, 14th Street and Constitution Avenue, N.W., Washington, DC 20230. Parties should confirm by telephone the time, date, and place of the hearing, 48 hours before the scheduled time.

Requests for a public hearing should contain: (1) The party's name, address, and telephone number; (2) the number of participants; (3) the reason for attending; and (4) a list of the issues to be discussed. In addition, eight copies of the business proprietary version and three copies of the nonproprietary version of the case briefs must be submitted to the Assistant Secretary no later than September 8, 1997. Eight copies of the business proprietary version and three copies of the nonproprietary version of the rebuttal briefs must be submitted to the Assistant Secretary no later than September 15, 1997. An interested party may make an affirmative presentation only on arguments included in that party's case or rebuttal briefs. Written arguments should be submitted in accordance with 19 CFR 355.38 and will be considered if received within the time limits specified above. 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. If this investigation proceeds normally, we will make our final determination by October 14, 1997.

This determination is published pursuant to sections 703(f) and 777(i) of the Act.

Dated: July 28, 1997.

Jeffrey P. Bialos,

Acting Assistant Secretary for Import Administration.

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DEPARTMENT OF COMMERCE

International Trade Administration

[C–428–823]

Preliminary Affirmative Countervailing Duty Determination: Steel Wire Rod From Germany

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

EFFECTIVE DATE: August 4, 1997.

FOR FURTHER INFORMATION CONTACT: Cindy Thirumalai or Daniel Lessard, Office of Antidumping/Countervailing