

DATE: January 30, 2007

MEMORANDUM TO: David M. Spooner
Assistant Secretary
for Import Administration

FROM: Stephen J. Claeys
Deputy Assistant Secretary
for Import Administration

SUBJECT: Issues and Decision Memo for the Expedited Sunset Review of the
Countervailing Duty Order on Certain Pasta from Turkey; Final
Results

Summary

We have analyzed the substantive responses and rebuttal comments of the interested parties in the expedited sunset review of the countervailing duty order on certain pasta (“pasta”) from Turkey. We recommend that you approve the positions described in the Discussion of the Issues section of this memorandum. Below is the complete list of the issues in this expedited sunset review for which we received comments from interested parties:

1. Likelihood of Continuation or Recurrence of Countervailable Subsidies
2. Net Countervailable Subsidy Likely to Prevail
3. Nature of the Subsidies

History of the Order

Investigation

On June 14, 1996, the Department of Commerce (“the Department”) published its final determination in the countervailing duty investigation of pasta from Turkey, see Final Affirmative Countervailing Duty Determination: Certain Pasta (“Pasta”) from Turkey, 61 FR 30366 (June 14, 1996). On July 24, 1996, the Department published the countervailing duty order in the Federal Register. See Notice of Countervailing Duty Order: Certain Pasta (“Pasta”) From Turkey, 61 FR 38546 (July 24, 1996). The following seven programs were found to confer countervailable subsidies in the original investigation:

- (1) Pre-Shipment Export Loans;
- (2) Pasta Export Grants;
- (3) Free Wheat Program;
- (4) Payments for Exports on Turkish Ships/State Aid for Exports Program;
- (5) Incentive Premium on Domestically Obtained Goods/VAT Support for Domestic Machinery and Equipment Purchases;
- (6) Resource Utilization Support Fund (GIP); and
- (7) Tax Exemption Based on Export Earnings.

The list below identifies manufacturers/producers/exporters and the net subsidies determined by the Department in the original investigation.

Manufacturers/Producers/Exporters	Net subsidy (percent)
Filiz Gıda Sanayi ve Ticaret (“Filiz”)	3.87
Maktas Makarnacılık ve Ticaret (“Maktas”)	13.12
Oba Makarnacılık Sanayi ve Ticaret (“Oba”)	15.82
All Others	9.70

In the final countervailing duty investigation determination, the Department found that two programs had been terminated.¹ These programs were not included in the investigation net subsidy rates and are not included in the rates reported in this sunset review.

The Department has completed two administrative reviews since the issuance of the order. See Certain Pasta from Turkey: Final Results of Countervailing Duty Administrative Review, 66 FR 64398 (December 13, 2001) (“Fourth Administrative Review”), and Certain Pasta from Turkey: Final Results of Countervailing Duty Administrative Review, 71 FR 52774 (September 7, 2006) (“Ninth Administrative Review”).

Fourth Administrative Review (1999)

In the final results of the Fourth Administrative Review, the net countervailable subsidies ranged between zero and 9.70 percent, and the Department determined that six programs were not countervailable in the period of review (“POR”), nine programs were not used by the companies under review, four programs were found to be terminated, and the following four programs were found to confer countervailable subsidies:

- (1) Pre-Shipment Export Loans;
- (2) Resource Utilization Support Fund (KKDF) Tax Exemption on Export-Related

¹ The Support and Price Stabilization Program was terminated effective February 1, 1992 (Official Gazette) (August 20, 1991), and the Wharfage Fee Exemption Program was terminated effective January 1, 1993 (Official Gazette) (July 11, 1992). See 61 FR at 30372.

- Loans;
- (3) Banking and Insurance Transaction (BIST) Tax Exemption on Export-Related Loans; and
- (4) VAT Support for Domestic Machinery and Equipment Purchases.

Ninth Administrative Review (2004)

In the final results of the ninth administrative review, the net countervailable subsidies rates ranged from zero to 9.70. The Department determined that one program did not provide a countervailable benefit, sixteen programs were not used by the companies under review, and no programs were found to confer countervailable subsidies.

Other Issues

On October 26, 1998, the Department self-initiated a scope inquiry to determine whether a package weighing over five pounds as a result of allowable industry tolerances may be within the scope of the countervailing duty order. On May 24, 1999, we issued a final scope ruling finding that, effective October 26, 1998, pasta in packages weighing or labeled up to (and including) five pounds four ounces to be within the scope of the countervailing duty order. See Memorandum from John Brinkmann to Richard Moreland, dated May 24, 1999. See also Notice of Scope Rulings, 65 FR 41957 (July 7, 2000).

On July 14, 2003, the Department published its final results of a changed circumstances review and determined that Gidasa Gida San.Tic.A.S. is the successor-in-interest to Maktas. On January 8, 2004, the Department published its final results of another changed circumstances review and determined that Tat Makarnacilik San. Ve Tic. A.S. is the successor-in-interest to Pastavilla Makarnacilik Sanayi ve Ticaret A.S.

Finally, the order remains in effect for all Turkish pasta producers and exporters.

Background

On June 1, 2001, the Department initiated its first sunset review of the countervailing duty order on pasta from Turkey, pursuant to section 751(c) of the Tariff Act of 1930, as amended, (“the Act”). See Notice of Initiation of Five-year (Sunset) Reviews, 66 FR 29771 (June 1, 2001). On October 5, 2001, the Department published a notice of final results of its expedited sunset review of the countervailing duty order. See Final Results of Expedited Sunset Review: Countervailing Duty Order on Certain Pasta From Turkey, 66 FR 51019 (October 5, 2001).

Based on the substantive comments provided by the petitioners and the inadequate response from respondent interested parties, the Department determined that revocation of the countervailing duty order on certain pasta from Turkey would be likely to lead to continuation or recurrence of a countervailable subsidy. On November 2, 2001, the U.S. International Trade Commission (“the Commission”), pursuant to section 751(c) of the Act, determined that revocation of the

countervailing duty order on pasta from Turkey would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time. See Certain Pasta from Italy and Turkey, 66 FR 55697 (November 2, 2001). Therefore, pursuant to 751(d)(2) of the Act and 19 CFR 351.218(f)(4), on November 16, 2001, the Department published a notice of the continuation of the countervailing duty order on pasta from Turkey. See Continuation of Countervailing and Antidumping Duty Orders: Pasta from Italy and Turkey, and Clad Steel Plate From Japan, 66 FR 57703 (November 16, 2001).

On October 2, 2006, the Department initiated its second sunset review of the countervailing duty order on pasta from Turkey, pursuant to section 751(c) of the Act. See Initiation of Five-year (“Sunset”) Reviews, 71 FR 57921 (October 2, 2006). The Department received a notice of intent to participate from the following domestic parties: A. Zerega’s Sons, Inc.; American Italian Pasta Company; Dakota Growers Pasta Company, Inc.; New World Pasta Company; and Philadelphia Macaroni Company (collectively, “domestic interested parties”), within the deadline specified in 19 CFR 351.218(d)(1)(I). The companies claimed interested party status under section 771(9)(C) of the Act, as manufacturers of a domestic-like product in the United States.

The Department received a request for a twelve day extension of time from the Government of the Republic of Turkey (“GRT”) to submit its substantive response. The Department partially granted the GRT’s request and extended the deadline for filing a substantive response to November 8, 2006. The same extension was also granted to the domestic interested parties, per their request. On November 8, 2006, **the Department received complete substantive responses to the notice of initiation** from the domestic interested parties and from the GRT. The domestic interested parties assert that most of the domestic interested parties participated in the original investigation, including participation in the scope clarification proceeding. See Domestic Interested Parties’ Substantive Response at 4 (November 8, 2006). Furthermore, the GRT expressed its intent to participate in this review as the authority responsible for defending the interests of its domestic industry. See GRT’s substantive response at 1 (November 8, 2006).

The Department **did not receive any substantive responses from Turkish producers or exporters of the merchandise covered by this order. Based on the fact that a government’s response alone, normally, is not sufficient for full sunset reviews in which the orders are not done on an aggregate basis, we determined to conduct an expedited (120 day) sunset review of this order. See section 751(c)(3)(B) of the Act and 19 CFR 351.218(e)(1)(ii)(C)(2). See, e.g., Final Results of Expedited Sunset Reviews of Countervailing Duty Orders: Pure Magnesium and Alloy Magnesium from Canada**, 70 FR 67140 (November 4, 2005). See also letter to Robert Carpenter, Director, Office of Investigations, International Trade Commission, from Wendy Frankel, Director, Import Administration, Department of Commerce, regarding inadequate response to the notice of initiation from respondent interested parties (November 21, 2006); and Memorandum from Saliha Loucif, International Trade Compliance Analyst, to Susan Kuhbach, Office Director, **Import Administration, Department of Commerce**, regarding “Adequacy Determination of the Second Sunset Review of the Countervailing Duty Order on Certain Pasta from Turkey,” (November 21, 2006).

On November 20, 2006, we received a rebuttal brief on behalf of the domestic interested parties. We did not receive rebuttal briefs from the GRT or any other respondent interested parties in this proceeding. The Department did not conduct a hearing because a hearing was not requested.

On January 19, 2007, the Department placed the calculation of the all others rate from the investigation onto the record of this sunset review and allowed parties to comment. We received comments from domestic interested parties and the GRT on January 24, 2007.

Discussion of the Issues

In accordance with section 751(c)(1) of the Act, the Department conducted this review to determine whether termination of the countervailing duty order would be likely to lead to continuation or recurrence of a countervailable subsidy. Section 752(b) of the Act provides that, in making this determination, the Department shall consider the net countervailable subsidy determined in the investigation and subsequent reviews, and whether any change in the program which gave rise to the net countervailable subsidy has occurred and is likely to affect that net countervailable subsidy. Pursuant to section 752(b)(3) of the Act, the Department shall provide to the Commission the net countervailable subsidy likely to prevail if the order is revoked. In addition, consistent with section 752(a)(6) of the Act, the Department shall provide to the Commission information concerning the nature of the subsidy and whether it is a subsidy described in Article 3.1 and 6.1 of the 1994 World Trade Organization (“WTO”) Agreement on Subsidies and Countervailing Measures (“ASCM”).

Below we address the comments of the interested parties.

1. Likelihood of Continuation or Recurrence of a Countervailable Subsidy

Interested Party Comments

The domestic interested parties argue that revocation of this order is likely to lead to continuation or recurrence of countervailable subsidies. See Domestic Interested Parties’ Substantive Response at 8. The domestic interested parties claim that, in the investigation, the Department found seven programs to be countervailable, and nine programs to be not used, and in subsequent reviews, the Department found two new countervailable programs. Id. at 9-10. Referring to the Department’s Policies Regarding the Conduct of the Five-year (“Sunset”) Reviews of Antidumping and Countervailing Duty Orders, (“Policy Bulletin”), the domestic interested parties assert that the Department has clearly stated that continuation of a program will be highly probative of the likelihood of continuation or recurrence of countervailable subsidies. Id. at 10.

The domestic interested parties argue that even if a program has been deemed terminated, the GRT has a history of reinstating programs. Therefore, the domestic interested parties cite to the Policy Bulletin which states that the agency will consider likelihood of reinstatement in assessing likely effects of revocation. Id. at 11-12.

The GRT asserts that it does not foresee any negative impact from termination of the order, given that the Turkish subsidy system has undergone many changes through the years and the amount of subsidization provided to the Turkish pasta industry approaches zero. See GRT's Substantive Response at 2. Furthermore, the GRT contends that Turkey has eliminated most of the prohibited subsidies which were effective during the original investigation and that the pasta industry is no longer benefitting from prohibited subsidies. Id.

The GRT argues that: (1) the Pre-Shipment Export Loans and Pasta Export Grants are not countervailable; (2) the Free Wheat Program and the Payments for Exports on Turkish Ships/State Aid for Exports Program were found to be terminated in the Fourth Administrative Review; (3) the Incentive Premium on Domestically Obtained Goods was terminated in 1998, and the replacement program was found not-countervailable in the countervailing duty investigation of carbon and certain alloy steel wire rod from Turkey and; (4) the Department found the Resource Utilization Support Fund Program (GIP) to be not-countervailable in the countervailing duty investigation of carbon and certain alloy steel wire rod from Turkey (Final Negative Countervailing Duty Determination: Carbon and Certain Alloy Steel Wire Rod from Turkey, 67 FR 55815 (August 30, 2002) and accompanying Issues and Decision Memorandum ("Wire Rod from Turkey"). See GRT's Substantive Response at 3-5.

Finally, the GRT contends that as a result of the U.S. pasta industry's increasing sales, production capacity, and expansion into Europe, the U.S. industry is in a strong position and that revocation of the order would not affect the U.S. pasta industry. Id. at 5-6.

In their November 20, 2006, rebuttal, the domestic interested parties point out that the GRT ignores the Department's findings that certain companies did use and receive benefits from new countervailed programs as well as the existence of numerous other subsidy programs found to be "not used." The domestic interested parties argue that the continued existence of many subsidy programs demonstrates a strong likelihood of continuation of a countervailable benefit. See Domestic Interested Parties' Rebuttal Comments at 2-3 (November 20, 2006).

Department's Position

According to the Statement of Administrative Action ("SAA"), the Department will consider the net countervailable subsidies in effect after the issuance of the order and whether the relevant subsidy programs have been continued, modified, or eliminated. See SAA, H. Doc. No. 316, 103d Cong., 2d Session, Vol. 1 (1994) at 888. The SAA adds that continuation of a program will be highly probative of the likelihood of continuation or recurrence of countervailable subsidies. Id. In this case, there is no evidence that the following programs, found countervailable in the investigation, have been terminated: Pre-Shipment Export Loans and Pasta Export Grants. Moreover, the Department found additional programs countervailable in the Fourth Administrative Review and there is no evidence that these programs have been terminated: Resource Utilization Support Fund (KKDF) Tax Exemption on Export-Related Loans; and

Banking and Insurance Transaction (BIST) Tax Exemption on Export-Related Loans. The continued existence of these programs supports finding a likelihood of continued subsidization.

The GRT claims that certain programs have been terminated. We address this issue further in the “Net Countervailable Subsidy Likely to Prevail” section below. However, while certain programs may have been terminated, this does not detract from the fact that other programs have continued. Moreover, because many of the subsidy programs have continued, we do not need to reach the issue raised by the domestic interested parties regarding reinstatement of programs.

The GRT further contends that there is no need to continue the order because the subsidy programs have changed over time and the level of subsidy is approaching zero. We do not accept this contention because there is not sufficient information to say that the level of subsidies bestowed under individual programs, or in the aggregate, are trending to zero. More to the point, however, is the continued existence of the programs and, consequently, the continuing availability of subsidies to Turkish producers and exporters of pasta. Finally, we note that this argument goes to the rate likely to prevail, not likelihood.

Regarding the GRT’s argument that it has eliminated most of the prohibited subsidies found in the investigation and that the pasta industry is no longer benefitting from prohibited subsidies, we find that prohibited subsidy programs have continued. See “Nature of Subsidies” section, below.

Regarding the GRT’s claim that the Pre-Shipment Export Loans and Pasta Export Grants are not countervailable, the GRT provided no information which has not already been reviewed in earlier proceedings with respect to the countervailability of these programs. Therefore, we will not change our findings with respect to the Pre-Shipment Export Loans and Pasta Export Grants programs.

Finally, the GRT argues that the health of the U.S. pasta industry supports revocation of the CVD order. While such a claim may be relevant to the Commission’s considerations, it is not relevant to the issue of likelihood of continuation of subsidies.

As explained above, numerous subsidy programs remain in place. The continued existence of these programs means that Turkish producers and exporters of pasta can continue to benefit from these subsidies. Therefore, we find a likelihood of continued countervailable subsidies.

2. Net Countervailable Subsidy Likely to Prevail

Interested Party Comments

Citing to the Department’s Policy Bulletin and the SAA, the domestic interested parties point out that in determining the magnitude of the subsidy rate that is likely to prevail in the event of revocation, the Department normally selects the subsidy rate established in the original investigation. The domestic interested parties add that the subsidy rate in most cases is to be the

company-specific, final rate from the original investigation, as that subsidy rate best reflects the behavior of the respondents free of the constraints of a countervailing duty order. See Domestic Interested Parties' Substantive Response at 12-14.

The GRT argues that the subsidy should be zero or de minimis because the recent amount of subsidies approaches nil. See GRT Substantive Response at 6.

In the rebuttal brief, the domestic interested parties argue that the Department should reject the GRT's claim and use the company-specific rates from the original investigation because they are the only rates that reflect the behavior of exporters and foreign governments without the discipline of an order in place. See Domestic Interested Parties' Rebuttal at 5-6.

On January 19, 2007, the Department placed the calculation of the all others rate from the investigation onto the record of this sunset review and allowed parties to comment. In their comments of January 24, 2007, the domestic interested parties state that they do not object to the Department using the all others rate calculation from the investigation, but note that the two new programs found in a subsequent administrative review should be taken into account when calculating the revised all others rate.

In the GRT's comments of January 24, 2007, it provided the rates from the Fourth Administrative Review. The GRT also reiterated its previously submitted arguments that the Free Wheat Program and the Payments for Exports on Turkish Ships/State Aid for Exports Program were terminated, and that the VAT Exemption Program and the Resource Utilization Support Fund (GIP) were found not countervailable in the Wire Rod from Turkey investigation. Finally, the GRT restated its position that the Pre-shipment Export Loans or Pasta Export Grants are not countervailable.

Department's Position

The Department normally will select a rate from the investigation as the net countervailable subsidy likely to prevail if the order is revoked, because that is the only calculated rate that reflects the behavior of exporters and foreign governments without the discipline of an order or suspension agreement in place. See SAA at 890. However, this rate may not be the most appropriate rate if, for example, the rate was derived from subsidy programs which were found in subsequent reviews to be terminated, there has been a program-wide change, or the rate ignores a program found to be countervailable in a subsequent administrative review. See, e.g., Final Results of Expedited Sunset Reviews of the Countervailing Duty Orders: Pure Magnesium and Alloy Magnesium from Canada, 70 FR 67140 (November 4, 2005), Issues and Decision Memorandum at 12-13.

Consistent with this, in determining company-specific, net countervailable subsidy rates likely to prevail, the Department has started with the rates found in the original investigation. We have added to the investigation rates the rates from the new subsidy programs found during the first through ninth reviews: Resource Utilization Support Fund (KKDF) Tax Exemption on Export-

Related Loans, and Banking and Insurance Transaction (BIST) Tax Exemption on Export-Related Loans. See Memorandum to the File entitled, “Calculation of 2nd Sunset Review Rates: Turkish Pasta,” (January 30, 2007) (“Calc Memo”).

Where the Department has conducted an administrative review of the order and found that a program was terminated with no residual benefits and no likelihood of reinstatement or replacement, the Department normally will adjust the net countervailable subsidy rate determined in the original investigation to reflect the change. In determining whether a program has been terminated, the Department will consider the legal method by which the government eliminated the program and whether the government is likely to reinstate the program. Programs eliminated through administrative action, for example, may be more likely to be reinstated than those eliminated through legislative action. This is fully consistent with other areas of our countervailing duty practice (e.g., program-wide changes) where we normally expect a program to be terminated by means of the same legal mechanism in which it is instituted. See e.g., Final Results of Full Sunset Review of the Countervailing Duty Order on Certain Corrosion-Resistant Carbon Steel Flat Products from France, 71 FR 58584 (October 4, 2006), and accompanying Issues and Decision Memorandum at 7).

As noted above, the GRT has argued that certain subsidies found in the investigation have been terminated. First, the GRT argues that the Incentive Premium on Domestically Obtained Goods was terminated and replaced with a non-countervailable program. After reviewing the cited case, we agree that the Incentive Premium on Domestically Obtained Goods was terminated and replaced with a non-countervailable program. See Wire Rod from Turkey, and the accompanying Issues and Decision Memorandum at 11, 12, and 22. Moreover, because we found the Incentive Premium on Domestically Obtained Goods provided recurring benefits, there are no residual benefits past the sunset period.

The GRT also cites to Wire Rod from Turkey in arguing that the Resource Utilization Support Fund (GIP) was found to be not-countervailable. The Decision Memorandum actually states that the Resource Utilization Support Fund (GIP) was terminated in 1996 by Decree 98/10755. See Wire Rod from Turkey, and the accompanying Issues and Decision Memorandum at 11, and 22. Again, because we found the Resource Utilization Support Fund (GIP) provided recurring benefits and that it was not replaced with a new countervailable program, there are no residual benefits past the sunset period.

Also, in the Fourth Administrative Review of the Turkish pasta order (covering 1999), we found that the following programs were terminated and that no benefit stream exists past 2005: Free Wheat Program, Payments for Exports on Turkish Ships/State Aid for Export Program, Tax Exemption Based on Export Earnings, and Advanced Refunds of Tax Savings. We have subtracted the rates calculated for these terminated programs. For each company that used the program, we subtracted the company-specific rate calculated for that company. See Calc Memo. Likewise, in calculating the all others rate, we have subtracted any terminate programs and added in any new subsidy programs countervailed in the course of the administrative reviews. See Calc Memo.

On this basis, we find that the net subsidy levels for all producers and exporters of pasta included in this review are those listed below, all of which are above de minimis. Thus, we will report to the Commission these net subsidy rates.

Final Results of Review

As a result of this review, the Department finds that revocation of the countervailing duty order on pasta from Turkey would likely lead to continuation or recurrence of a countervailable subsidy at the rates listed below:

Manufacturers/Producer/Exporter	Net Countervailable Subsidy (percent)
Filiz Gıda Sanayi ve Ticaret	3.03
Maktas Makarnacılık ve Ticaret/ Gıdasa Gıda San.Tic.A.S.	14.49
Oba Makarnacılık Sanayi ve Ticaret	14.48
All Others	10.25

3. Nature of Subsidies

Consistent with section 752(a)(6) of the Act, the Department is providing the information below to the Commission concerning the nature of the subsidy, and whether the subsidy is a subsidy as described in Article 3 or Article 6.1 of the ASCM. We note that Article 6.1 of the ASCM expired effective January 1, 2000.

Article 3.1

In the instant review, there are four programs that fall within the meaning of Article 3.1 of the ASCM which states that the following subsidies shall be prohibited: (a) subsidies contingent, in law or in fact whether solely or as one of several other conditions, upon export performance, and (b) subsidies contingent, whether solely or as one of several other conditions, upon the use of domestic over imported goods.

1) Pre-Shipment Export Loans

The Export Credit Bank of Turkey provides short-term pre-shipment export loans to exporters through intermediary commercial banks. The program was commenced in March 1989 in order to meet the financing needs of exporters and overseas contractors. Loans are made available to certified exporters who commit to a certain value of exports within a specified time period. Generally, loans are extended for a period of three to nine months, covering between 10 and 100 percent of the Free on Board value of the committed export value.

2) Pasta Export Grants

During 1994, the Central Bank of Turkey provided cash grants and government promissory notes or bonds to exporters of pasta. According to the GRT, the purpose of the program was to develop Turkey's export potential. In order to receive the grants, exporters were required to submit applications (including proof of exportation and payment from the customer) to the local office of the Central Bank. The exporter received a specified percentage of the Free on Board U.S. dollar price, subject to a cap.

3) Resource Utilization Support Fund (KKDF) Tax Exemption on Export-Related Loans

Pursuant to Article 4 of Resolution no. 94/5782 of June 13, 1994, Turkish companies are exempted from paying KKDF taxes on export-related short-term loans regardless of whether the loans are denominated in TL or foreign currencies. These exemptions are allowed both on loans at preferential interest rates and on loans at non-preferential interest rates.

4) Banking and Insurance Transaction (BIST) Tax Exemption on Export-Related Loans

Pursuant to Article 4 of Resolution no. 94/5782 of June 13, 1994, Turkish companies are exempted from paying the BIST tax on export-related short-term loans regardless of whether the loans are denominated in TL or foreign currencies. These exemptions are allowed both on loans at preferential interest rates and on loans at non-preferential interest rates.

Article 6.1

There could be subsidies described in Article 6.1 of the ASCM if the amount of the subsidy exceeds five percent, if they constitute debt forgiveness or are subsidies to cover operating losses sustained by an industry or enterprise. However, there is insufficient information on the record of this review in order for the Department to make such a determination. We, however, are providing the ITC with the following program descriptions:

1) Pre-Shipment Export Loans

The Export Credit Bank of Turkey provides short-term pre-shipment export loans to exporters through intermediary commercial banks. The program was commenced in March 1989 in order to meet the financing needs of exporters and overseas contractors. Loans are made available to certified exporters who commit to a certain value of exports within a specified time period. Generally, loans are extended for a period of three to nine months, covering between 10 and 100 percent of the Free on Board value of the committed export value.

2) Pasta Export Grants

During 1994, the Central Bank of Turkey provided cash grants and government promissory notes or bonds to exporters of pasta. According to the GRT, the purpose of the program was to develop Turkey's export potential. In order to receive the grants, exporters were required to submit applications (including proof of exportation and payment from the customer) to the local

office of the Central Bank. The exporter received a specified percentage of the Free on Board U.S. dollar price, subject to a cap.

3) Resource Utilization Support Fund (KKDF) Tax Exemption on Export-Related Loans

Pursuant to Article 4 of Resolution no. 94/5782 of June 13, 1994, Turkish companies are exempted from paying KKDF taxes on export-related short-term loans regardless of whether the loans are denominated in TL or foreign currencies. These exemptions are allowed both on loans at preferential interest rates and on loans at non-preferential interest rates.

4) Banking and Insurance Transaction (BIST) Tax Exemption on Export-Related Loans

Pursuant to Article 4 of Resolution no. 94/5782 of June 13, 1994, Turkish companies are exempted from paying the BIST tax on export-related short-term loans regardless of whether the loans are denominated in TL or foreign currencies. These exemptions are allowed both on loans at preferential interest rates and on loans at non-preferential interest rates.

Recommendation

Based on our analysis of the substantive response received, we recommend adopting all of the above positions. If these recommendations are accepted, we will publish the final results of review in the Federal Register.

Agree _____ Disagree _____

David M. Spooner
Assistant Secretary
for Import Administration

Date