**Notification of Interested Parties**

This notice also serves as a preliminary reminder to importers of their responsibility under 19 CFR 351.402(f) 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 notice also serves as preliminary reminder to importers of their responsibility under 19 CFR 351.402(f) 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 determination is issued and published in accordance with sections 751(a)(1) and 777(i)(1) of the Act.

Dated: April 2, 1998.

**Joseph A. Spetrini,**

*Acting Assistant Secretary for Import Administration.*

[FR Doc. 98–9436 Filed 4–8–98; 8:45 am]

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## DEPARTMENT OF COMMERCE

## International Trade Administration

**[C–475–819]**

## Certain Pasta From Italy: Preliminary Results of the First 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 is conducting an administrative review of the countervailing duty order on certain pasta from Italy for the period October 17, 1995 through December 31, 1996. For information on the net subsidy for each reviewed company, as well as for all non-reviewed companies, see the *Preliminary Results of Review* section of this notice. If the final results remain the same as these preliminary results, we will instruct the U.S. Customs Service to assess countervailing duties as detailed in the *Preliminary Results of Review*. Interested parties are invited to comment on these preliminary results. (*See, Public Comment* section of this notice.)

**EFFECTIVE DATE:** April 9, 1998.

**FOR FURTHER INFORMATION CONTACT:** Vincent Kane or Todd Hansen, AD/CVD Enforcement, Group I, Office 1, Import Administration, U.S. Department of Commerce, Room 3099, 14th Street and Constitution Avenue, N.W., Washington, D.C. 20230; telephone (202) 482–2815 or 482–1276, respectively.

**Background**

On July 24, 1996, the Department of Commerce (the Department) published in the **Federal Register** (61 FR 38544) the countervailing duty order on pasta from Italy.

In accordance with 19 CFR 351.213(b), this review of the order covers the producers or exporters of the subject merchandise for which a review was specifically requested. They are: Audisio Industrie Alimentari S.r.L (''Audisio''); the affiliated companies Delverde S.r.L., Tamma Industrie Alimentari, S.r.L., Sangralimenti S.r.L., and Pietro Rotunno, S.r.L. (''Delverde/Tamma''); La Molisana Industrie Alimentari S.p.A. (''La Molisana''); and Petrini S.p.A. (''Petrini''). Also, this review covers 24 programs.

Since the publication of the notice of initiation of this review in the **Federal Register** (62 FR 45621, August 28, 1997), the following events have occurred.

On September 29, 1997, we issued countervailing duty questionnaires to the Government of Italy (''GOI''), the Commission of the European Union (''EU''), and the above-named companies under review. On October 14, 1997, F.lli De Cecco di Filippo Fara S. Martino S.p.A., a company which had requested to be included in the review, withdrew its request. Similarly, on November 14, 1997, Industria Alimentari Colavita, S.p.A., another company which had requested to be included in the review, withdrew its request. We received responses to our questionnaires and issued additional questionnaires throughout the period of November 1997 through March 1998.

In January and February of 1998, we received comments from petitioners on the company and GOI responses. Among the comments was a request that the Department examine an energy savings grant received by Petrini pursuant to Law 308/82. In a supplementary questionnaire to Petrini, we requested further information on this grant. Subsequent to issuing this questionnaire, however, it became evident that the program in question had already been found not countervailable by the Department. *See, Final Affirmative Countervailing Duty Determinations: Certain Steel Products from Italy*, 58 FR 37327 *(''Certain Steel from Italy'')*. Therefore, we have not included this grant in our review.

**Scope of Review**

The merchandise under review consists of certain non-egg dry pasta in packages of five pounds (or 2.27 kilograms) or less, whether or not enriched or fortified or containing milk or other optional ingredients such as chopped vegetables, vegetable purees, milk, gluten, diastases, vitamins, coloring and flavorings, and up to two percent egg white. The pasta covered by this scope is typically sold in the retail market, in fiberboard or cardboard cartons or polyethylene or polypropylene bags, of varying dimensions.

Excluded from the scope of this review are refrigerated, frozen, or canned pastas, as well as all forms of egg pasta, with the exception of non-egg dry pasta containing up to two percent egg white. Also excluded are imports of organic pasta from Italy that are accompanied by the appropriate certificate issued by the Associazione Marchigiana Agricultura Biologica (''AMAB''), by Bioagricoop Scrl, or by QC&I International Services. Furthermore, multicolored pasta imported in kitchen display bottles of decorative glass, which are sealed with cork or paraffin and bound with raffia, is excluded from the scope of this review.

The merchandise under review is currently classifiable under item 1902.19.20 of the Harmonized Tariff Schedule of the United States (''HTSUS''). Although the HTSUS subheading is provided for convenience and customs purposes, our written description of the scope of this review is dispositive.

**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 other references are to the Department's regulations at 19 CFR Part 351 et. seq. *Antidumping Duties; Countervailing*

*Duties; Final Rule*, 62 FR 27296, May 19, 1997, unless otherwise indicated.

**Period of Review**

The period of review (''POR'') for which we are measuring subsidies is from October 17, 1995 through December 31, 1996. Because it is the Department's practice to calculate subsidy rates on an annual basis, we calculated a 1995 rate and a 1996 rate for each of the companies under review. We note, however, that the rates calculated for 1995 will be applicable only to entries, or withdrawals from warehouse, for consumption made on and after October 17, 1995, through the end of 1995.

**Subsidies Valuation Information**

Benchmarks for Long-term Loans and Discount Rates: The companies under review did not take out any long-term, fixed-rate, lira-denominated loans or other debt obligations which could be used as benchmarks in any of the years in which grants were received or government loans under review were given. Therefore, we used the Bank of Italy reference rate, adjusted upward to reflect the mark-up an Italian commercial bank would charge a corporate customer, as the benchmark interest rate for long-term loans and as the discount rate for years prior to 1995. For 1995 and 1996, we used the average interest rate on medium- and long-term loans as reported by the Bank of Italy based on a survey of 114 Italian banks.

Allocation Period: In *British Steel plc.* v. *United States*, 879 F.Supp. 1254, 1289 (CIT 1995) *(''British Steel I'')*, the U.S. Court of International Trade (the Court) ruled against the allocation methodology for non-recurring subsidies that the Department had employed for the past decade, which was articulated in the *General Issues Appendix*, appended to the *Final Countervailing Duty Determination; Certain Steel Products from Austria*, 58 FR 37225 (July 9, 1993) *(''GIA'')*. In accordance with the Court's remand order, the Department determined that the most reasonable method of deriving the allocation period for nonrecurring 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. *See, British Steel plc.* v. *United States*, 929 F.Supp 426, 439 (CIT 1996) *(''British Steel II'')*. Accordingly, the Department has applied this method to those non-recurring subsidies that were not countervailed in the investigation.

For non-recurring subsidies received prior to the POR and which have already been countervailed based on an allocation period established in the investigation, it is neither reasonable nor practicable to reallocate those subsidies over a different period of time. Therefore, for purposes of these preliminary results, the Department is using the original allocation period assigned to each non-recurring subsidy received prior to the POR. This conforms with our approach in *Certain Carbon Steel Products from Sweden; Final Results of Countervailing Duty Administrative Review*, 62 FR 16549 (April 7, 1997).

For non-recurring subsidies received during the POR, each company under review submitted an AUL calculation based on depreciation and asset values of productive assets reported in its financial statements. Each company's AUL was derived by dividing the sum of average gross book value of depreciable fixed assets over the past ten years by the average depreciation charges over this period. We found this calculation to be reasonable and consistent with our company-specific AUL objective. We have used these calculated AULs for the allocation period for non-recurring subsidies received during the POR and those non-recurring subsidies received prior to the POR, which were not countervailed in the investigation.

Benefits to Mills: In cases where semolina (the input product to pasta) and the subject merchandise were produced within a single corporate entity, the Department has found that subsidies to the input product benefit total sales of the corporation, including sales of the subject merchandise, without conducting an upstream subsidy analysis. (*See, e.g., Final Affirmative Countervailing Duty Determination: Certain Softwood Lumber Products from Canada* (57 FR 22570); *Final Affirmative Countervailing Duty Determination: Industrial Phosphoric Acid from Israel* (52 FR 25447); *Final Affirmative Countervailing Duty Determination: Certain Pasta (''Pasta'') from Italy)* 61 FR 30288, 30292) (*''Pasta from Italy''*)). In accordance with our past practice, where the companies under review purchase their semolina from a separately incorporated company, whether or not they are affiliated, we have not included subsidies to the mill in our calculations. However, for those companies where the mill is not separately incorporated from the producer of the subject merchandise, we have included subsidies for the milling operations in our calculations. Where appropriate, we have also included sales of semolina in calculating the ad valorem subsidy rate.

**Changes in Ownership**

One of the companies under review, Delverde, purchased an existing pasta factory from an unrelated party. The previous owner of the purchased factory had received non-recurring countervailable subsidies prior to the transfer of ownership, which took place in 1991.

We have calculated the amount of the prior subsidies that passed through to Delverde with the acquisition of the factory, following the spin-off methodology described in the Restructuring section of the *GIA*, 58 FR at 37265.

Petrini, another of the companies under review, is controlled by two members of the Petrini family, who hold a majority-ownership interest in the company. During the period 1988 through 1994, Petrini acquired and absorbed a number of related companies, including one which produced pasta. All but one of these companies were wholly-owned by members of the Petrini family prior to their acquisition by Petrini; the remaining company was majority-owned by the Petrini family. Prior to the ownership restructurings, several of these companies, other than the pasta company, received non-recurring countervailable subsidies.

The Department does not consider internal corporate restructurings that transfer or shuffle assets among related parties to constitute a ''sale'' for purposes of evaluating the extent to which subsidies pass from one party to another. (*See*, the Restructuring section of the *GIA*, 58 FR at 37266.) Therefore, we did not apply the methodology from the Restructuring section of the *GIA* to these subsidies. Instead, we have attributed all of the non-recurring subsidies received prior to the restructurings to Petrini, the only remaining corporate entity.

To determine whether the benefit of any of these subsidies extended to the subject merchandise, we examined the extent to which these subsidies should be considered tied or untied.

The subsidies in question were loans and grants pursuant to Law 64/86, the Industrial Development Law, which benefits companies located in the South of Italy (the Mezzogiorno). In past cases, as well as the present review, we have found Law 64 grants and loans to be tied to the production of particular products. (*See, Pasta from Italy*, 61 FR at 30292.) In fact, the grants and loans are provided only after companies have committed funds for investment in

facilities to produce a particular product or products. Law 64 applications and awards indicate clearly the level of investment required of the recipient, the portion to be provided by the government, and a clear statement of the purpose of the investment. Follow-up audits by the GOI serve to ensure that funds have been used as claimed.

The Law 64 grants and loans received by certain Petrini family companies were for the production of products other than pasta or the inputs to pasta. In fact, Petrini's only pasta production and flour mill facilities are located in the North and did not qualify for Law 64 benefits.

Under these circumstances, we consider the subsidies in question to be tied to the production of products other than pasta. Accordingly, we preliminarily conclude that these subsidies did not confer a benefit on the subject merchandise.

**Affiliated Parties**

In the present review, we have examined several affiliated companies (within the meaning of section 771(33) of the Act) whose relationship may be sufficient to warrant treatment as a single company. In the countervailing duty questionnaire, consistent with our past practice, the Department defined companies as sufficiently related where one company owns 20 percent or more of the other company, or where companies prepare consolidated financial statements. The Department also stated that companies may be considered sufficiently related where there are common directors or one company performs services for the other company. According to the questionnaire, such companies that produce the subject merchandise or that have engaged in certain financial transactions with the company subject to review are required to respond.

In accordance with this practice, we have determined that Delverde and Tamma warrant treatment as a single company with a combined rate. Although Tamma holds less than a 20 percent direct ownership interest in the Delverde group, there is a substantial indirect ownership relationship between Tamma and Delverde. In addition, the same individual is the president of Tamma, Delverde, and Delverde's parent company. Therefore, we calculated a single countervailing duty rate for these companies by dividing their combined subsidy benefits by their combined sales.

**Analysis of Programs**

*I. Programs Previously Determined to Confer Subsidies*

A. Local Income Tax (''ILOR'') Exemptions

Companies located in the Mezzogiorno may receive a complete exemption for a period of 10 years from the ILOR on profits deriving from new plant and equipment or from plant expansion and improvement under Presidential Decree 218 of March 6, 1978. In addition, otherwise non-qualifying profits which are reinvested in plant or equipment may receive an exemption from the ILOR for the year of reinvestment. The provision for ILOR exemptions expired on December 31, 1993, but companies which were approved for the exemptions prior to this date may continue to benefit from the exemption until the expiration of the 10-year benefit period approved for each company.

Delverde/Tamma claimed an ILOR tax exemption on income tax returns filed during the POR.

In *Pasta from Italy*, the Department determined that the ILOR exemptions were subsidies within the meaning of section 771(5) of the Act, as the tax exemptions represented revenue foregone by the GOI and conferred tax savings on the companies. Also, they were regionally specific within the meaning of section 771(5A) because they were limited to companies located in the Mezzogiorno. In this review, neither the GOI nor the responding companies provided new information which would warrant reconsideration of this determination.

To calculate the countervailable subsidy, we divided the tax savings in each year of the POR by the company's total sales in each year. On this basis, we determine the countervailable subsidy from this program for Delverde/Tamma to be 0.01 percent for Delverde/Tamma in 1995 and 0.01 percent *ad valorem* in 1996.

B. Industrial Development Grants Under Law 64/86

Law 64/86 provided assistance to promote industrial development in the Mezzogiorno. Grants were awarded to companies constructing new plants or expanding or modernizing existing plants. Pasta companies were eligible for grants to expand existing plants but not to establish new plants, because the market for pasta was deemed to be close to saturated. Grants were made only after a private credit institution chosen by the applicant made a positive assessment of the project.

In 1992, the Italian Parliament decided to abrogate Law 64/86. This decision became effective in 1993. Projects approved prior to 1993, however, were authorized to receive grant amounts after 1993. La Molisana and Delverde/Tamma benefitted from industrial development grants during to the POR.

In *Pasta from Italy*, the Department determined that these grants provide a countervailable subsidy within the meaning of section 771(5) of the Act. They provided a direct transfer of funds from the GOI bestowing a benefit in the amount of the grant. Also, these grants were found to be regionally specific within the meaning of section 771(5A). In this review, neither the GOI nor the responding companies provided new information which would warrant reconsideration of this determination.

In *Pasta from Italy*, the Department treated these grants as ''non-recurring'' based on the analysis set forth in the Allocation section of the *GIA*, 58 FR at 37226. In the current review, we have found no reason to depart from this treatment.

In accordance with our past practice, we have allocated those grants, which exceeded 0.5 percent of a company's sales in the year of receipt, over time. (*See, GIA* at 58 FR 37226.)

To calculate the countervailable subsidy, we used our standard grant methodology. We divided the benefit attributable to each company in each year of the POR by its sales in each year. Thus, we determine the countervailable subsidy for this program to be 1.37 percent *ad valorem* in 1995 and 1.11 percent *ad valorem* in 1996 for La Molisana and 2.25 percent *ad valorem* in 1995 and 2.25 percent *ad valorem* in 1996 for Delverde/Tamma.

As noted in the ''*Change of Ownership*'' section above, certain of the Petrini family-owned companies received Law 64 grants prior to their acquisition and absorption by Petrini, which we found to be tied to the production of products other than pasta. After the acquisition and absorption of these companies, Petrini itself received several Law 64 grants. Once again, we found these grants to be tied to products other than pasta.

C. Industrial Development Loans Under Law 64/86

Law 64/86 also provided reduced rate industrial development loans with interest contributions to companies constructing new plants or expanding or modernizing existing plants in the Mezzogiorno. The interest rate on these loans was set at the reference rate, with the GOI's interest contributions serving

to reduce this rate. For the reasons discussed above, pasta companies were eligible for interest contributions to expand existing plants but not to establish new plants.

Delverde/Tamma and La Molisana received industrial development loans with interest contributions from the GOI. These loans were outstanding during the POR.

In *Pasta from Italy*, the Department determined that these loans were countervailable subsidies within the meaning of section 771(5). They were a direct transfer of funds from the GOI providing a benefit in the amount of the difference between the benchmark interest rate and the interest rate paid by the companies after accounting for the GOI's interest contributions. Also, they were found to be regionally specific within the meaning of section 771(5A). In this review, neither the GOI nor the responding companies provided new information which would warrant reconsideration of this determination.

It is the Department's practice to measure the benefit conferred by interest rebates using our loan methodology if the company knew in advance that the government was likely to pay or rebate interest on the loan at the time the loan was taken out. (*See, e.g., Certain Steel from Italy*). Because, in this case, the recipients of the interest contributions knew, prior to taking out the loans, that the GOI likely would provide the interest contributions, we have allocated the benefit over the life of the loan for which the contribution was received. We divided the benefit attributable to each year of the POR for each company by its sales in each year. On this basis, we determine the countervailable subsidy for this program to be 0.36 percent ad valorem in 1995 and 0.24 percent ad valorem in 1996 for La Molisana and 0.71 percent ad valorem in 1995 and 0.64 percent ad valorem in 1996 for Delverde/Tamma.

D. Export Marketing Grants under Law 304/90

To increase market share in non-EU markets, Law 304/90 provides grants to encourage enterprises operating in the food and agricultural sectors to carry out pilot projects aimed at developing links between Italian producers and foreign distributors and improving services in those markets. Emphasis is placed on assisting small- and medium-sized producers.

In *Pasta from Italy*, the Department determined that the export marketing grants under Law 304 provided countervailable subsidies within the meaning of section 771(5) of the Act. The grants were a direct transfer of funds from the GOI providing a benefit in the amount of the grant. The grants were also found to be specific because their receipt was contingent upon anticipated exportation. In this review, neither the GOI nor the responding companies provided new information which would warrant reconsideration of this determination.

Delverde/Tamma received a grant under this program for a market development project in the United States prior to the POR.

Each project funded by a grant requires a separate application and approval, and the projects represent one-time events in that they involve an effort to establish warehouses, sales offices, and a selling network in new overseas markets. Therefore, in *Pasta from Italy*, the Department treated the grant received under this program as ''non-recurring'' based on the analysis set forth in the Allocation section of the *GIA*, 58 FR at 37226. Further, the Department found that the grant exceeded 0.5 percent of Delverde/Tamma's exports to the United States in the year it was received. Therefore, in accordance with our past practice, we allocated the benefits of this grant over time. In this review, neither the GOI nor the responding companies provided new information which would warrant reconsideration of this determination.

To calculate the countervailable subsidy, we used our standard grant methodology. We divided the benefits attributable to each year of the POR by Delverde/Tamma's exports to the United States in each year. On this basis, we determine the countervailable subsidy to be 0.13 percent ad valorem in 1995 and 0.35 percent ad valorem in 1996 for Delverde/Tamma.

E. Lump-Sum Interest Payment Under the Sabatini Law for Companies in Southern Italy

The Sabatini Law was enacted in 1965 to encourage the purchase of machine tools and production machinery. It provides for a deferral of up to five years of payments due on installment contracts for the purchase of such equipment and for a one-time, lump-sum interest contribution from Mediocredito Centrale toward the interest owed on these contracts. The amount of the interest contribution is equal to the present value of the difference between the payment stream over the life of the contract based on the reference rate and the payment stream over the life of the contract based on a concessionary rate. The concessionary rate for companies located in the Mezzogiorno is the reference rate less eight percentage points. The concessionary rate for companies located outside the Mezzogiorno is the reference rate less five percentage points.

Audisio and Petrini received interest contributions under the Sabatini Law for loans outstanding during the POR, which were related to the production of pasta and inputs to pasta in the North. Petrini also received other interest contributions in both northern and southern Italy, but these benefits were tied to non-subject merchandise. In addition, La Molisana received an interest contribution at the concessionary rate available in the Mezzogiorno for a loan still outstanding during the first year of the POR, which was related to pasta production.

With respect to the benefits provided in northern Italy, the Department, in *Pasta from Italy*, analyzed whether the program was specific ''in law or in fact,'' within the meaning of section 771(5A)(D)(i) and (iii). The Department concluded that these benefits were not specific and, therefore, not countervailable. In this review, the petitioner provided no new information which would warrant reconsideration of this determination.

Because the concessionary rate for companies in southern Italy was lower than the interest rate available to users of the program in northern Italy, however, the Department in *Pasta from Italy* determined that the Sabatini Law interest contributions to companies in southern Italy were countervailable subsidies within the meaning of section 771(5). They were a direct transfer of funds from the GOI providing a benefit in the amount of the difference between the benchmark interest rate and the interest rate paid by the companies. In addition, they were regionally specific within the meaning of section 771(5A). In this review, neither the GOI nor the responding companies provided new information which would warrant reconsideration of this determination.

As stated earlier (*see, Industrial Development Loans* section, above), when a company knows in advance that the government is likely to pay or rebate interest on a loan, we will measure the benefit conferred by that rebate using our loan methodology. Because La Molisana knew, prior to taking out the loan at issue here, that it would receive the interest contribution, we have allocated the benefit over the life of the loan for which the contribution was received. We divided the benefit attributable to each year of the POR by La Molisana's sales in each year. Thus, we determine the countervailable subsidy for this program to be 0.05 percent ad valorem in 1995 and 0.00

percent ad valorem in 1996 for La Molisana.

F. Social Security Reductions and Exemptions

*1. Sgravi Benefits.* Pursuant to Law 1089 of October 25, 1968, companies located in the Mezzogiorno were granted a 10 percent reduction in social security contributions for all employees on the payroll as of September 1, 1968, as well as those hired thereafter. Subsequent laws authorized companies located in the Mezzogiorno to take additional reductions in social security contributions for employees hired during later periods, provided that the new hires represented a net increase in the employment level of the company. The additional reductions ranged from 10 to 20 percentage points. Further, for employees hired during the period July 1, 1976 to November 30, 1991, companies located in the Mezzogiorno were granted a full exemption from social security contributions for a period of 10 years, provided that employment levels showed an increase over a base period.

In *Pasta from Italy,* the Department determined that the social security reductions and exemptions were countervailable subsidies within the meaning of section 771(5). They represented revenue foregone by the GOI and they conferred a benefit in the amount of the savings received by the companies. Also, they were found to be specific within the meaning of section 771(5A) because they are limited to companies located in the Mezzogiorno. In this review, neither the GOI nor the responding companies provided new information which would warrant reconsideration of this determination.

Delverde/Tamma and La Molisana received social security reductions and exemptions during the POR.

To calculate the countervailable subsidy, we divided the savings in social security contributions by each company during each year of the POR by that company's sales in each year. On this basis, we calculated the countervailable subsidy from this program to be 1.23 percent ad valorem in 1995 and 0.91 percent ad valorem in 1996 for Delverde/Tamma and 0.90 percent ad valorem in 1995 and 0.70 percent ad valorem in 1996 for La Molisana.

One respondent, Petrini, produces animal feed, chickens and eggs in southern Italy. All of Petrini's facilities related to pasta production and inputs thereto are located in the North. Petrini did not receive countervailable social security benefits with regard to any of its operations in the North. However, Petrini did receive social security benefits available to companies operating in the Mezzogiorno for its operations there.

We determine that the social security benefits received by Petrini's operations in southern Italy were tied to the production and sale of animal feed and other animal products. Therefore, for purposes of these preliminary results, we have not included these social security benefits in our calculation of the ad valorem subsidy rate applicable to Petrini.

2. *Fiscalizzazione Benefits.* In addition to the sgravi deductions described above, the GOI provides Social Security benefits of another type, called ''fiscalizzazione.'' Fiscalizzazione is a nationwide measure which provides a reduction of certain social security payments related to health care or insurance. The program provides an equivalent level of deductions throughout Italy for contributions related to tuberculosis, orphans, and pensions. However, the program provides a higher deduction from contributions to the National Health Insurance system for manufacturing enterprises located in southern Italy compared to those located in northern Italy. During the POR, the differential was 6.16 percent of base salary until July 31, 1995, when it was reduced to five percent. On January 1, 1996, it was further reduced to four percent.

In *Pasta from Italy,* the Department determined that the fiscalizzazione reductions were countervailable subsidies within the meaning of section 771(5) for companies with operations in southern Italy. They represented revenue foregone by the GOI and conferred a benefit in the amount of the greater savings accruing to the companies in southern Italy. In addition, they were found to be regionally specific within the meaning of section 771(5A). In this review, neither the GOI nor the responding companies provided new information which would warrant reconsideration of this determination.

Delverde/Tamma and La Molisana received the higher levels of fiscalizzazione deductions available to companies located in the Mezzogiorno during the POR.

To calculate the countervailable subsidy, we divided the excess fiscalizzazione deductions realized by each company in each year of the POR by its sales in each year. On this basis, we calculated the countervailable subsidy from this program to be 0.44 percent ad valorem in 1995 and 0.20 percent ad valorem in 1996 for Delverde/Tamma and 0.64 percent ad valorem in 1995 and 0.38 percent ad valorem in 1996 for La Molisana.

*3. Law 407/90 Benefits.* Law 407/90 grants a two-year exemption from social security taxes when a company hires a worker who has been previously unemployed for a period of two years or more. A 100 percent exemption was allowed for companies in southern Italy. However, companies located in northern Italy received only a 50 percent exemption.

In *Pasta from Italy,* the Department determined that the 100 percent exemptions provided to companies with operations in southern Italy under Law 407 were countervailable subsidies within the meaning of section 771(5). They represented revenue foregone by the GOI and conferred a benefit in the amount of the greater savings accruing to the companies in southern Italy. In addition, they were found to be regionally specific within the meaning of section 771(5A). In this review, neither the GOI nor the responding companies provided new information which would warrant reconsideration of this determination.

Delverde/Tamma received the higher level of Law 407 deductions available to companies located in the Mezzogiorno during the POR.

To calculate the countervailable subsidy rate, we divided the amount of the Law 407 exemption which exceeds the amount available in northern Italy realized by Delverde/Tamma in each year of the POR by that company's sales during the same period. On this basis, we calculated the countervailable subsidy from this program to be 0.00 percent ad valorem in 1995 and 0.00 percent ad valorem in 1996 for Delverde/Tamma.

*4. Law 863 Benefits.* Law 863 provides for a reduction of social security payments of 25 percent for companies in northern Italy for employees who are participating in a training program. Companies in southern Italy receive a 100 percent reduction in social security payments for such employees.

In *Pasta from Italy,* the Department determined that Law 863 reductions were countervailable subsidies within the meaning of section 771(5) for companies with operations in southern Italy. They represented revenue foregone by the GOI and confer a benefit in the amount of the greater savings accruing to the companies in southern Italy. In addition, they were found to be regionally specific within the meaning of section 771(5A). In this review, neither the GOI nor the responding companies provided new information which would warrant reconsideration of this determination.

Delverde/Tamma and La Molisana received the higher level of Law 863 deductions available to companies located in the Mezzogiorno during the POR.

To calculate the countervailable subsidy, we divided the amount of the Law 863 reductions which exceeds the amount available in northern Italy realized by each company in each year of the POR by it sales in that year. On this basis, we calculated the countervailable subsidy from this program to be 0.05 percent ad valorem in 1995 and 0.11 percent ad valorem in 1996 for Delverde/Tamma and 0.03 percent for La Molisana.

G. Remission of Taxes on Export Credit Insurance Under Article 33 of Law 227/77

The Special Section for Export Credit Insurance (''SACE'') was created under Article 2 of Law 227/77 as the branch of the GOI responsible for the administration of government export credit insurance and guarantee programs. Pursuant to Article 3 of Law 227/77, SACE insures and reinsures political, catastrophic, economic, commercial and exchange-rate risks which Italian operators are exposed to in their foreign activities.

During the POR, only one private insurance company, Societa Italiana Crediti S.p.A. (''SIAC''), had a reinsurance agreement with SACE. Under the reinsurance agreement, SIAC passed along a fixed percentage (*i.e.*, 45 percent) of its export credit insurance premia to SACE. In return, SACE assumed that same percentage of risk on export credit insurance policies sold by SIAC (*i.e.*, SACE would pay 45 percent of any claim for which SIAC would become liable).

Article 33 of Law 227/77 provides for the remission of insurance taxes on policies directly insured or reinsured with SACE. For reinsurance policies, this remission of insurance taxes applied not only to the portion of the risk covered by SACE, but also the remaining portion covered by the private insurance company. As a result, export credit insurance policies sold by SIAC during the POR were totally exempt from the insurance tax by virtue of its reinsurance agreement with SACE. Export credit insurance policies sold by other private insurance companies, however, were not exempt from the insurance tax. The insurance tax rate was 12.5 percent of premia paid.

In *Pasta from Italy*, we determined that the exemption from the insurance tax for policies directly insured or reinsured with SACE was a countervailable subsidy within the meaning of section 771(5) of the Act. The exemption represents revenue foregone by the GOI and confers tax savings on the companies. Also, because export credit insurance was available only to exporters and was by its nature contingent upon export performance, we found the remission of taxes on export credit insurance to be specific within the meaning of section 771(5A) of the Act. In this review, neither the GOI nor the responding companies provided new information which would warrant reconsideration of this determination.

La Molisana obtained export credit insurance from SIAC for its exports to the United States and, therefore, was exempted from the insurance tax. To calculate the benefit, we multiplied the premia paid during each year of the POR for exports to the United States by the insurance tax rate and divided the amount by total exports to the United States in each year. We calculated a countervailable subsidy rate of 0.04 percent ad valorem in 1995 and 0.04 percent ad valorem in 1996 for La Molisana.

H. European Social Fund

The ESF is one of the Structural Funds operated by the EU. The ESF was created under Article 123 of the Treaty of Rome in order to improve employment opportunities for workers and to help raise their living standards. The ESF provides principally vocational training and employment aids. ESF aid is generally provided directly to public institutions or non-commercial enterprises. However, it can also be provided directly to a company, as long as it is located in an Objective 1, Objective 2, or Objective 5(b) region. Objective 1 regions are those regions whose development and structural adjustment has been identified by the EU as lagging behind. Objective 2 regions are frontier regions seriously affected by industrial decline. Objective 5(b) regions are rural regions in need of development. The ESF provides grants to companies located in such regions in order to train current employees for new jobs or to hire new employees.

Delverde/Tamma received ESF grants.

In *Pasta from Italy*, the Department determined that ESF grants were countervailable subsidies within the meaning of section 771(5) of the Act. The Department considers worker assistance programs to be countervailable when a company is relieved of an obligation it would otherwise have incurred. (*See, GIA* 58 FR at 37255.) In addition to providing funds for training programs which may or may not relieve companies of an obligation, ESF funds were available to aid companies in hiring new employees. Because a company is normally obligated to meet its hiring needs without assistance from the government, ESF funds clearly relieved companies of an obligation. Thus, the grants were a direct transfer of funds providing a benefit in the amount of the grant. Also, because ESF assistance to individual companies is limited to companies located in Objective 1, Objective 2, and Objective 5(b) regions, they were found to be regionally specific within the meaning of section 771(5A) of the Act. In this review, neither the GOI nor the responding companies provided new information which would warrant reconsideration of this determination.

Because a separate application is required for each grant and because grants are awarded for specific projects, we have found the grants to be non-recurring. We determined that the grants received by Delverde/Tamma were less than 0.5 percent of the companies' sales in 1995, the year of receipt. Therefore, in accordance with past practice, we expensed these non-recurring grants to the year of receipt. On this basis, we calculated a countervailable subsidy rate of 0.04 percent ad valorem for Delverde/Tamma in 1995.

I. *Export Restitution Payments*

Since 1962, the EU has operated a subsidy program which provides restitution payments to EU pasta exporters based on the durum wheat content of their exported pasta products. Generally, under this program, a restitution payment is available to any EU exporter of pasta products, regardless of whether the pasta was made with imported wheat or wheat grown within the EU. The amount of the restitution payment is calculated by multiplying the prevailing restitution payment rate on the date of exportation by the weight of the unmilled durum wheat used to produce the exported pasta. The weight of the unmilled durum wheat is calculated by applying a conversion factor to the weight of the pasta. The EU calculates the restitution payment rate, on a monthly basis, by first computing the difference between the world market price of durum wheat and an internal EU price and then adding a monthly increment (in all months except June and July, which are harvest months). The EU will not normally allow the restitution payment rate to be higher than the levy that the EU imposes on imported durum wheat, as such a situation would lead to circular trade.

In 1987, the nature of this program changed with regard to exports to the

United States as a result of a settlement reached by the United States and the EU. This settlement arose out of a GATT panel proceeding, brought by the United States, in which the panel ruled (in 1983) that the restitution program violated the EU's GATT obligations and did not fall within the exception under Item (d) of the Illustrative List of Export Subsidies.

Under the settlement, the EU agreed to allow the importation of durum wheat from any non-EU country free of any levy under a system described in the settlement as ''Inward Processing Relief'' (''IPR''). Under this system, the EU pasta exporter would not receive a restitution payment when exporting to the United States pasta products containing durum wheat imported with IPR. Essentially, a restitution payment no longer was necessary because no levy had been paid upon importation of durum wheat in the first place.

As to pasta products containing EU durum wheat or durum wheat that had been imported without IPR, a restitution payment remained available for exports to the United States, except that the restitution rate was reduced, originally by 27.5 percent and later by approximately 35 percent, from the normal level available for exports to all other countries.

As a further condition of the settlement, the EU agreed to attempt to balance its exports to the United States equally between pasta products containing durum wheat imported with IPR, on the one hand, and pasta products containing EU durum wheat or durum wheat imported without IPR, on the other hand. The goal was for 50 percent of the EU's pasta exports to the United States to contain durum wheat imported with IPR (for which the exporter had paid world market price, free of any levy, and had received no restitution payments), while the remaining 50 percent of the EU's pasta exports to the United States would contain EU durum wheat or durum wheat imported without IPR (for which the exporter could receive reduced restitution payments). In all other respects, the program remained unchanged.

In *Pasta from Italy*, the Department determined that export restitution payments were countervailable subsidies within the meaning of section 771(5) of the Act. Each payment represented a direct transfer of funds from the EU providing a benefit in the amount of the payment. The restitution payments were found to be specific because their receipt is contingent upon export performance. In this review, neither the GOI, the EU nor the responding companies provided new information which would warrant reconsideration of this determination.

Delverde/Tamma, La Molisana, Audisio and Petrini received export restitution payments during the POR on shipments to the United States.

In accordance with our normal practice of recognizing subsidy benefits when there is a cash-flow effect, we have calculated the subsidy rate for export restitution benefits based on the amount actually received during the POR. Export restitution benefits are not ''automatic'' in that their receipt is not certain until an application has been filed. The amounts received, while generally quite close to the amounts requested, do not always equal the amount indicated by the company on its request form. Thus, we have calculated the subsidy rate for export restitution benefits based on the amount actually received during the POR.

To calculate the subsidy, we divided the export restitution payments received in each year of the POR on shipments to the United States by the company's sales of pasta for export to the United States in each year. We calculated a countervailable subsidy under this program of 0.23 percent ad valorem in 1995 and 0.19 percent ad valorem in 1996 for Delverde/Tamma, 0.08 percent ad valorem in 1995 and 0.07 percent ad valorem in 1996 for La Molisana, 2.27 percent ad valorem in 1995 and 0.00 percent ad valorem in 1996 for Petrini, and 7.78 percent ad valorem in 1995 and 0.00 percent ad valorem in 1996 for Audisio.

*II. Program Preliminarily Determined to Confer a Subsidy: Grant Received Pursuant to the Community Initiative Concerning the Preparation of Enterprises for the Single Market (PRISMA)*

PRISMA, a program funded by the European Structural Fund, seeks to contribute to the creation of a single EU market by improving standardization and quality control procedures, and seeks to assist small- and medium-sized enterprises in Objective 1 regions to adapt to a single EU market and increased competition.

La Molisana received a PRISMA grant in 1996.

We preliminarily find that PRISMA grants constitute countervailable subsidies within the meaning of section 771(5) of the Act. The grants represent a transfer of funds from the administering government and provide a benefit in the amount of the grant. Further, we preliminarily find that they are specific within the meaning of section 771(5A) because they are limited to firms located in designated geographic regions.

Because the grant received by La Molisana was less than 0.5 percent of the company's sales in 1996, the year of receipt, we have allocated the entire grant to that year. To calculate the countervailable subsidy, we divided the benefit received by La Molisana's sales in 1996, the year of receipt. On this basis, we determine the countervailable subsidy for this program to be 0.00 percent ad valorem in 1995 and 0.10 percent ad valorem in 1996 for La Molisana.

*III. Programs Preliminarily Determined to Be Not Used*

We examined the following programs and preliminarily determine that the producers and/or exporters of the subject merchandise did not apply for nor receive benefits under these programs during the POR:

A. VAT Reductions
B. Export Credits Under Law 227/77
C. Capital Grants Under Law 675/77
D. Retraining Grants Under Law 675/77
E. Interest Contributions on Bank Loans Under Law 675/77
F. Interest Grants Financed by IRI Bonds
G. Preferential Financing for Export Promotion Under Law 394/81
H. Corporate Income Tax (''IRPEG'') Exemptions
I. European Agricultural Guidance and Guarantee Fund
J. Urban Redevelopment Under Law 181

**Preliminary Results of Review**

In accordance with 19 CFR 351.221(b)(4)(i), we calculated an individual subsidy rate for each producer/exporter subject to this administrative review. For the periods October 17, 1995, through December 31, 1995, January 1, 1996, through February 13, 1996, and July 24, 1996, through December 31, 1996, we preliminarily determine the net subsidy rates for producers/exporters under review to be those specified in the chart shown below. (In accordance with section 703(d) of the Act, countervailing duties will not be assessed on entries made during the period February 14, 1996, through July 23, 1996.) If the final results of this review remain the same as these preliminary results, the Department intends to instruct customs to assess countervailing duties at these net subsidy rates.

The Department also intends to instruct Customs to collect cash deposits of estimated countervailing duties at these rates on the f.o.b. value

of all shipments of the subject merchandise from the producers/exporters under review entered, or withdrawn from warehouse, for consumption on or after the date of publication of the final results of this administrative 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 reviews will normally cover only those companies specifically named. *See* 19 CFR 351.213(b). Pursuant to 19 CFR 351.212(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 CFR 353.22(e), the antidumping regulation on automatic assessment, which is identical to 19 CFR 355.22(g), the predecessor to 19 CFR 351.212(c)). Therefore, the cash deposit rates for all companies except those covered by this review will be unchanged by the results of these reviews.

We will instruct Customs to continue to collect cash deposits for non-reviewed companies, except Barilla G. e R. F.lli S.p.A. (''Barilla'') and Gruppo Agricoltura Sana S.r.L. (''Gruppo'') (which were excluded from the order during the investigation), 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 *Notice of Countervailing Duty Order and Amended Final Affirmative Countervailing Duty Determination: Certain Pasta (''Pasta'') from Italy* (61 FR 38544, July 24, 1996), the most recently published countervailing duty rates for companies not reviewed in this administrative review. These rates shall apply to all non-reviewed companies until a review of a company assigned these rates is requested. In addition, for the periods from October 17, 1995, through February 13, 1996, and from July 24, 1996, through December 31, 1996, the assessment rates applicable to all non-reviewed companies covered by these orders are the cash deposit rates in effect at the time of entry, except for Barilla and Gruppo (which were excluded from the order during the original investigation).

| Company | Ad valorem rate | |
|---|---|---|
| | 10/17/95 to 12/31/95 | 01/01/96 to 02/13/96 and 07/24/96 to 12/31/96 |
| Delverde, S.r.l | 5.09 | 4.66 |
| La Molisana Alimentari S.p.A | 3.44 | 2.67 |
| Tamma Industrie Alimentari di Capitanata | 5.09 | 4.66 |
| Petrini | 2.27 | 0.00 |
| Audisio | 7.78 | 0.00 |

**Public Comment**

Parties to this proceeding may request disclosure of the calculation methodology and interested parties may request a hearing not later than 30 days after the date of publication of this notice. Interested parties may submit written arguments in case briefs on these preliminary results within 30 days of the date of publication. Rebuttal briefs, limited to arguments raised in case briefs, may be submitted five days after the time limit for filing the case brief. Parties who submit an 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. Any hearing, if requested, will be held two days after the scheduled date for submission of rebuttal briefs. Copies of case briefs and rebuttal briefs must be served on interested parties in accordance with 19 CFR 351.303(f).

Representatives of parties to the proceeding may request disclosure of proprietary information under administrative protective order no later than 10 days after the representative's client or employer becomes a party to the proceeding, but in no event later than the date the case briefs, under 19 CFR 351.309(c)(ii), are due.

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 briefs or at a hearing.

This administrative review and notice are in accordance with section 751(a)(1) of the Act (19 U.S.C. 1675(a)(1)).

Dated: April 2, 1998.

**Joseph A. Spetrini,**

*Acting Assistant Secretary for Import Administration.*

[FR Doc. 98–9434 Filed 4–8–98; 8:45 am]

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## DEPARTMENT OF COMMERCE

### International Trade Administration

**[C–559–001]**

### Certain Refrigeration Compressors From the Republic of Singapore: Extension of Time Limit for Final Results of Countervailing Duty Administrative Review

**AGENCY:** Import Administration/International Trade Administration/Department of Commerce.

**ACTION:** Notice of extension of time limit for final results of countervailing duty administrative review.

**SUMMARY:** The Department of Commerce (''the Department'') is extending the time limit for the final results of the thirteenth administrative review of the agreement suspending the countervailing duty investigation of certain refrigeration compressors from the Republic of Singapore. This review covers the period April 1, 1995 through March 31, 1996.

**EFFECTIVE DATE:** April 9, 1998.