DEPARTMENT OF COMMERCE

International Trade Administration

C–560–821

Coated Free Sheet Paper from Indonesia: Notice of Preliminary Affirmative Countervailing Duty Determination

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

SUMMARY: The Department of Commerce (the Department) preliminarily determines that countervailable subsidies are being provided to producers and exporters of coated free sheet paper (CFS) in Indonesia. For information on the subsidy rates, see the ''Suspension of Liquidation'' section of this notice.

EFFECTIVE DATE: April 9, 2007.

FOR FURTHER INFORMATION CONTACT: Sean Carey, Jacqueline Arrowsmith, or Gene Calvert, AD/CVD Operations, Office 6, Import Administration, International Trade Administration, U.S. Department of Commerce, Room 7866, 14th Street and Constitution Avenue, NW, Washington, DC 20230; telephone: (202) 482–3964, (202) 482–5255, or (202) 482–3586, respectively.

SUPPLEMENTARY INFORMATION:

Background

On November 20, 2006, the Department initiated a countervailing duty (CVD) investigation of CFS from Indonesia. *See Notice of Initiation of Countervailing Duty Investigations: Coated Free Sheet Paper from the People's Republic of China, Indonesia, and the Republic of Korea*, 71 FR 68546 (November 27, 2006) (*Initiation Notice*) (*CFS Investigations*). In the *Initiation Notice*, the Department set aside a period for all interested parties to raise issues regarding product coverage. The comments we received are discussed in the ''Scope Comments'' section below. On November 30, 2006, the Department issued a CVD questionnaire to the Government of Indonesia (GOI). The questionnaire informed the GOI that it was responsible for forwarding the questionnaire to producers/exporters of CFS. The Department also provided courtesy copies of the questionnaire to PT. Pabrik Kertas Tjiwi Kimia Tbk. (TK) and to PT. Pindo Deli Pulp and Paper Mills (PD), who the GOI identified as the sole producers/exporters of CFS from Indonesia.

On December 29, 2006, the Department postponed the preliminary determination until March 30, 2007. *See Coated Free Sheet Paper from Indonesia, the People's Republic of China and the Republic of Korea: Notice of Postponement of Preliminary Determinations in the Countervailing Duty Investigations*, 71 FR 78403 (December 29, 2006). On January 25, 2007, TK and PD (collectively, respondents), and the GOI submitted their questionnaire responses. On February 2 and February 12, 2007, the Department received comments from the petitioner regarding these questionnaire responses. On February 16, 2007, the Department issued supplemental questionnaires to the GOI and to the respondents. The GOI and the respondents submitted their

supplemental responses on March 6, 2007.

On December 15, 2006, New Page Corporation, the petitioner, submitted two new subsidy allegations. The GOI and the respondents filed comments concerning these new allegations on December 26, 2006. On January 30, 2007, the petitioner submitted additional information regarding the December 15, 2006 new subsidy allegations. On February 7, 2007, the Department received additional comments from the respondents regarding the petitioner's January 30, 2007 submission.

On March 15, 2007, the Department determined that the requirements of section 702 of the Tariff Act of 1930, as amended (the Act) were met, and initiated an investigation of the following new subsidy allegations: (1) debt forgiveness through the GOI's acceptance of allegedly worthless shares in the Sinar Mas Group/Asia Pulp & Paper Company's (SMG/APP) affiliated bank as debt repayment; and, (2) debt forgiveness through the GOI allowing SMG/APP to repurchase its own debt at a steep discount through an affiliated company. For a complete discussion on the Department's decision to initiate on these programs, *see* the Memorandum to Barbara E. Tillman, Director, Office of AD/CVD Enforcement VI, *Countervailing Duty Investigation: Coated Free Sheet Paper from Indonesia; New Subsidy Allegations*, dated March 15, 2007, which is on file in the Import Administration Central Records Unit (CRU), Room B–099 of the Commerce Department Building.

The Department has not had sufficient time to gather the information necessary to analyze the countervailability of these two programs for purposes of this preliminary determination. However, after the Department has gathered and analyzed information from the GOI and respondents, we intend to issue an interim analysis describing our preliminary findings with respect to these programs before the final determination so that parties may have the opportunity to comment on our findings before the final determination.

On March 9, 2007, the United Steel, Paper and Forestry, Rubber Manufacturing, Energy, Allied and Industrial Service Workers International Union, AFL–CIO-CLC (''USW'') and the Sierra Club filed an additional new subsidy allegation, contending that illegal logging in Indonesia results in additional countervailable subsidies to Indonesian producers/exporters of CFS.[1] In the submission, the USW acknowledges that the allegation is untimely in accordance with section 351.301(d)(4)(i)(A) of the Department's regulations. However, the USW cites section 351.311 of the Department's regulations, which addresses instances in which the Department discovers a practice that appears to provide a countervailable subsidy during a countervailing duty investigation. As noted by the USW, under section 351.311(b) of the Department's regulations, the Department may include such a subsidy program in its investigation as long as sufficient time remains before the scheduled final determination. On March 21, 2007, respondents submitted comments regarding the USW allegation, arguing that it should be rejected as untimely filed.

With respect to the USW allegation, although it is untimely, we note that we are already investigating the provision of standing timber for less than adequate remuneration. If, during the course of our investigation, we find that cross–owned companies in the CFS production chain harvested pulp logs for which no stumpage or reforestation fees were paid, or less than the required fees were paid, we would include any such subsidy benefits in the calculation of any subsidy rate for these pulp logs in accordance with our stumpage subsidy calculation methodologies.

On March 19, 2007, the petitioner submitted comments for the Department to consider for purposes of the preliminary determination. On March 23, 2007, petitioner filed a few additional pre–preliminary determination comments. At the request of the Department, the petitioner refiled this submission on March 26, 2007. On March 26, 2007, petitioner requested that the final determination of this countervailing duty investigation be aligned with the final determination in the companion antidumping duty investigations in accordance with section 705(a)(1) of the Act. We will address this request in a separate **Federal Register** notice.

On March 26, 2007, respondents filed pre–preliminary determination comments. With respect to these comments, they were filed too late to be fully considered for purposes of this preliminary determination, but we note that they identify a number of issues we are already addressing in the ''Subsidies Valuation'' and ''Analysis of Programs'' sections below. Respondents also filed rebuttal comments to petitioner's additional pre–preliminary determination comments on March 27 and 28, 2007. In addition, on March 28, 2007, the USW submitted additional comments concerning its March 9, 2007 new subsidy allegation and respondents' March 21, 2007 comments on its new subsidy allegation. We did not have sufficient time to review these submissions for purposes of this preliminary determination.

[1] The Sierra Club does not have standing to file a subsidy allegation in accordance with sections 702(b) and 771(9) of the Act; however the USW is an interested party in this proceeding pursuant to section 771(9)(D) of the Act and may submit subsidy allegations.

Scope of the Investigation

The merchandise covered by this investigation includes coated free sheet paper and paperboard of a kind used for writing, printing or other graphic purposes. Coated free sheet paper is produced from not–more-than 10 percent by weight mechanical or combined chemical/mechanical fibers. Coated free sheet paper is coated with kaolin (China clay) or other inorganic substances, with or without a binder, and with no other coating. Coated free sheet paper may be surface–coated, surface–decorated, printed (except as described below), embossed, or perforated. The subject merchandise includes single- and double–side-coated free sheet paper; coated free sheet paper in both sheet or roll form; and is inclusive of all weights, brightness levels, and finishes. The terms ''wood free'' or ''art'' paper may also be used to describe the imported product.

Excluded from the scope are: (1) Coated free sheet paper that is imported printed with final content printed text or graphics; (2) base paper to be sensitized for use in photography; and (3) paper containing by weight 25 percent or more cotton fiber.

Coated free sheet paper is classifiable under subheadings 4810.13.1900, 4810.13.2010, 4810.13.2090, 4810.13.5000, 4810.13.7040, 4810.14.1900, 4810.14.2010, 4810.14.2090, 4810.14.5000, 4810.14.7040, 4810.19.1900, 4810.19.2010, and 4810.19.2090 of the Harmonized Tariff Schedule of the United States (HTSUS). While HTSUS subheadings are provided for convenience and customs purposes, our written description of the scope of this investigation is dispositive.

Scope Comments

In accordance with the preamble to the Department's regulations (*see Antidumping Duties; Countervailing Duties*, 62 FR 27296, 27323 (May 19, 1997) (*Preamble*)), in our *Initiation Notice* we set aside a period of time for parties to raise issues regarding product

coverage, and encouraged all parties to submit comments within 20 calendar days of publication of the *Initiation Notice*.

On December 18, 2006, the respondents submitted timely scope comments in the antidumping duty investigation of CFS from Indonesia. On January 12, 2007, the Department requested that the respondents file these comments on the administrative record of the *CFS Investigations*. *See* Memorandum from Alice Gibbons to The File, dated January 12, 2007. On January 12, 2007, the respondents re–filed these comments on the administrative record of the *CFS Investigations*. On January 19, 2007, the petitioner filed a response to these comments.

The respondents requested that the Department exclude from its investigations cast–coated free sheet paper. The Department analyzed this request, together with the comments from the petitioner, and determined that it is not appropriate to exclude cast–coated free sheet paper from the scope of these investigations. *See* the Memorandum to Stephen J. Claeys, Deputy Assistant Secretary for Import Administration, *Request to Exclude Cast–Coated Free Sheet Paper from the Antidumping Duty and Countervailing Duty Investigations on Coated Free Sheet Paper*, dated March 22, 2007, on file in the CRU.

Injury Test

Because Indonesia is a ''Subsidies Agreement Country'' within the meaning of section 701(b) of the Act, the International Trade Commission (ITC) is required to determine whether imports of the subject merchandise from Indonesia materially injure, or threaten material injury to a United States industry. On December 15, 2006, the ITC transmitted its preliminary determination to the Department. *See Coated Free Sheet Paper from China, Indonesia, and Korea: Investigation Nos. 701–TA–444–446 (Preliminary) and 731–TA–1107–1109 (Preliminary)*, USITC Publication 3900 (December 2006). On December 29, 2006, the ITC published its preliminary determination that there is a reasonable indication that an industry in the United States is materially injured by reason of allegedly subsidized imports from China, Indonesia, and Korea of subject merchandise. *See Coated Free Sheet Paper China, Indonesia, and Korea*, 71 FR 78464.

Period of Investigation

The period of investigation (POI) for which we are measuring subsidies is January 1, 2005 through December 31, 2005, which corresponds to the most recently completed fiscal year for the respondents. See section 351.204(b)(2) of the Department's regulations.

Subsidies Valuation

Cross–Ownership

Information on the record indicates the name SMG/APP is commonly used to refer to a group of forestry/logging companies, pulp producers, and paper producers linked by varying degrees of common ownership involving the Widjaja family. The respondents in this investigation, TK and PD, have reported affiliations with each other through a parent holding company Purinusa Ekapersada (Purinusa); with two pulp producers (PT. Lontar Papyrus Pulp and Paper Industry (Lontar) and PT. Indah Kiat Pulp and Paper Tbk. (IK)); and with five forestry/logging companies (Arara Abadi (AA), Wira Karya Sakti (WKS), PT. Satria Perkasa Agung (SPA), PT. Riau Abadi Lestrari (RAL), and PT. Finnantara Intiga (FI)).

The Department's regulations at section 351.525(b)(6)(vi) state that cross–ownership exists between two or more corporations where one corporation can use or direct the individual assets of the other corporation(s) in essentially the same ways it can use its own assets. This section of the Department's regulations states that this standard will normally be met where there is a majority voting ownership interest between two corporations or through common ownership of two (or more) corporations. The *Preamble* to the Department's regulations further clarifies the Department's cross–ownership standard. *See Countervailing Duties* 63 FR 65347, 65401 (*CVD Preamble*).

According to the *CVD Preamble*, relationships captured by the cross–ownership definition include those where the interests of two corporations have merged to such a degree that one corporation can use or direct the individual assets (including subsidy benefits) of the other corporation in essentially the same way it can use its own assets (including subsidy benefits). The cross–ownership standard does not require one corporation to own 100 percent of the other corporation. Normally, cross–ownership will exist where there is a majority voting ownership interest between two corporations or through common ownership of two (or more) corporations. In certain circumstances, a large minority voting interest (for example, 40 percent) or a ''golden share'' may also result in cross–ownership. *See CVD Preamble* at 63 FR 65401.

As such, the Department's regulations make it clear that we must examine the facts presented in each case in order to determine whether cross–ownership exists. If we find that cross–ownership exists between TK and PD, the producers/exporters under investigation, and among and across the companies within the input supply chain, we will treat all companies as one company, and calculate a single rate for any countervailable subsidies that we identify and measure, in accordance with section 351.525(b)(6) of the Department's regulations.

Further, in accordance with section 351.525(b)(6)(iv) of the Department's regulations, if the Department determines that the suppliers of inputs primarily dedicated to the production of paper products are cross–owned with the producers/exporters under investigation, then the Department treats subsidies provided to the input producers as subsidies conferred on the production of the finished product.

In this investigation, we are examining whether the two producers/exporters of the subject merchandise, TK and PD, are cross–owned with one another, and with their input suppliers as outlined in section 351.352(b)(6)(iv) of the Department's regulations. The alleged subsidies we are investigating are conferred on the forestry/logging companies which harvest and sell pulp logs, which in turn are sold to the pulp producers that supply the paper producers/exporters. Therefore, we must examine whether cross–ownership exists among and across the suppliers of pulp logs, the pulp producers, and the CFS producers/exporters.

Based on information on the record, we preliminarily determine that cross–ownership exists, in accordance with section 351.525(b)(6)(vi) of the Department's regulations, among and across the following companies involved in the production and sale of the subject merchandise: the respondent paper producers/exporters, TK and PD; pulp producers, Lontar and IK; and the forestry and logging companies, AA, WKS, RAL, SPA, and FI. Since much of our analysis supporting this conclusion involves business proprietary information, a full discussion of the bases for our preliminary determination is set forth in the Memorandum to Barbara E. Tillman, Director, AD/CVD Operations, Office 6, *Cross–Ownership*, dated March 29, 2007 (*Cross–Ownership Memo*), a public version of which is on file in the CRU.

In addition to the five cross–owned forestry/logging companies identified above, we are also preliminarily finding that certain additional timber suppliers from which pulp logs were purchased during the POI are cross–owned. In the questionnaire responses, respondents reported that some of the five cross–owned forestry/logging companies identified above also purchased pulp logs from unaffiliated timber suppliers. The Department examined the information provided in the questionnaire responses about these reportedly unaffiliated timber suppliers, and conducted additional independent research concerning these timber suppliers. *See Cross–Ownership Memo* for a full discussion of the Department's analysis and research. In addition, the Department examined information about these reportedly unaffiliated timber suppliers, and supporting documentation, provided by petitioner. After analyzing all of this information and documentation, we find that the information and documentation supports a preliminary finding that certain of these timber suppliers are cross–owned with the SMG/APP Group. Since the names of these suppliers are business proprietary, a complete discussion of the bases for our preliminary finding that these additional timber suppliers are also cross–owned with the other companies in the production chain is provided in the *Cross–Ownership Memo*.

Attribution of Subsidies Provided to Cross–Owned Input Suppliers

As discussed above, the Department's regulations at section 351.525(b)(6)(iv) state that if there is cross–ownership between an input supplier and a downstream producer, and production of the input product is primarily dedicated to production of the downstream product, the Secretary will attribute subsidies received by the input producer to the combined sales of the input and downstream products produced by both corporations (excluding the sales between the two corporations).

The respondents, TK and PD, have argued that they do not have to respond for AA, WKS, RAL, SPA, and FI because the input products in question, logs, are not ''primarily dedicated to the production of CFS'' and therefore, do not meet the standard in accordance with section 351.525(b)(6)(iv) of the Department's regulations. *See* respondents' March 2, 2007 response at page 3. The respondents state that they believe the Department should conduct its ''primarily dedicated analysis'' with respect to the Indonesian economy as a whole, and that its analysis should determine whether facts on the record support the conclusion that timber and other resources under the Forestry Program are primarily dedicated to the production of CFS. Additionally, the respondents state that the Department should give ''proper weight and consideration to the word *primarily*,'' arguing that the word is defined as ''chiefly'' or ''in the first place.'' *See* respondents' March 6, 2007 response at page 28.

The respondents claim that they, and their affiliated companies, produce a variety of products such as pulp, photocopier paper, and tissue, as well as CFS, and that timber accounts for roughly 25 percent of all Indonesian industry groupings, ranging from paper to furniture to chemical products. Therefore, the respondents conclude, the primarily dedicated test would not be met even if the Department were to perform its analysis specifically for the group of companies to which the respondents belong. *Id.*

The Department has previously addressed the issue regarding pulp logs as input products in the production of pulp and paper products in the *Notice of Preliminary Affirmative Countervailing Duty Determination: Certain Lined Paper Products from Indonesia*, 71 FR 7524, 7527–28 (February 13, 2006) (*Lined Paper Prelim*). In *Lined Paper Prelim*, the Department determined that harvested pulp logs, and the pulp they are used to produce, are input products primarily dedicated to the downstream product within the meaning of section 351.525(b)(6)(iv) of the Department's regulations. In *Lined Paper Prelim*, the Department determined that ''the issue is not whether the potentially subsidized inputs are used exclusively or nearly exclusively for the production of the subject merchandise. Rather, it is a question of whether the inputs are primarily dedicated to the production of the downstream product.''

In *Final Affirmative Countervailing Duty Determination and Final Negative Critical Circumstances Determination: Certain Lined Paper Products from Indonesia*, 71 FR 47174 (August 16, 2006) (*Lined Paper Final*), and accompanying *Issues and Decision Memorandum* at *Comment 3*, the Department remained consistent with its preliminary determination, and determined that the logs harvested by the logging companies and sold to the pulp producers are primarily dedicated to the production of pulp and, thus, to the production of the downstream product, paper, which included certain lined paper products, the subject merchandise in that case.

In the instant case, pulp logs harvested by the cross–owned forestry/logging companies are processed into pulp by pulp producers Lontar and IK. This pulp is consumed by the respondents, TK and PD, to make paper and paper products including the subject merchandise, CFS. Because the pulp logs are primarily dedicated to the production of pulp and, ultimately, to the production of paper products, it is reasonable to conclude that a subsidy to pulp logs also benefits pulp and paper production where all of the companies involved are cross–owned.

Based on the information on the record, we preliminarily determine that the production of pulp logs are an input product that is primarily dedicated to the production of pulp and paper products, including CFS. *See Cross–Ownership Memo*. In accordance with section 351.525(b)(6)(iv) of the Department's regulations, any subsidies found will be attributed to the appropriate combined sales of the products produced by the cross–owned companies, excluding any inter–company sales.

Loan Benchmarks

In measuring the benefit from loan programs, section 351.505(a)(1) of the Department's regulations provides that a ''benefit exists to the extent that the amount the firm pays on the government–provided loan is less than the amount the firm would pay on a comparable commercial loan(s) that the firm could actually obtain on the market.'' In section 351.505(a)(2)(ii), the Department's regulations address the selection of a commercial loan as the appropriate basis for comparison, stating ''the Secretary normally will use a loan taken out by the firm from a commercial lending institution or a debt instrument issued by the firm in a commercial market.'' TK and PD have not provided sufficient information regarding actual financing they (or the other cross–owned companies) obtained at the same time that the loans under examination were obtained and thus we are unable to rely on the companies' own financing experience as the basis for our loan interest rate benchmark. Therefore, we are guided by section 351.505(a)(3)(ii) of the Department's regulations, which states, ''{i}f the firm did not take out any comparable commercial loans during the period . . . the Secretary may use a national average interest rate for comparable commercial loans.'' Accordingly, to measure the loan benefits, we have used as our benchmark the rate charged by

private national banks for ''Investment'' (long–term loans) as shown in the Bank of Indonesia Interest Rates Table 39 ''Commerical Bank Credits In Ruppiah by Group of Commercial Banks,'' in Exhibit 19 of the GOI's January 24, 2007 response and in Exhibit 8 of the respondents' January 24, 2007 response, for the years in which the loans were approved.

The petitioner alleged that the Indonesian companies were uncreditworthy beginning in 2001 and thereafter. The Department initiated on this allegation. *See Initiation Checklist: Coated Free Sheet Paper from Indonesia*, dated November 20, 2006 (*Initiation Checklist*), a public version of which is on file in the CRU. Because the loans under investigation were all approved prior to 2001 (the earliest year for which the Department initiated an uncreditworthiness investigation), we have not analyzed the creditworthiness of the respondents and their cross–owned suppliers and, consequently, we have not added a risk premium to the benchmark for long–term loans as provided for in section 351.505(a)(3)(iii) of the Department's regulations.

Analysis of Programs

I. Programs Preliminarily Determined To Be Countervailable

A. GOI Provision of Standing Timber for Less than Adequate Remuneration

According to the GOI, it controls and administers over 57 million hectares of public harvestable forest land, which accounts for virtually all the harvestable forest land in Indonesia. *See* GOI's January 25, 2007 response at pages 4 and 13. Record information shows that timber can be harvested from the GOI land under two main types of licenses: licenses to harvest timber in the natural forest, known as ''HPH'' licenses, and licenses to establish, and harvest from, plantations, which are known as ''HTI'' licenses. *See* the GOI's January 25, 2007 response at page 5. Respondents and the GOI reported that AA, WKS, SPA, RAL and FI are affiliated forestry/logging companies which harvested pulp logs during the POI from plantations under HTI licenses. *Id.* at page 11; *see also* respondents' January 25, 2007 response at pages 19–20. As discussed above in the ''Cross–Ownership'' section, the Department has preliminarily determined that these forestry/logging companies are cross–owned with pulp producers IK and Lontar, and with CFS producers/exporters TK and PD. In addition, as discussed above in the ''Cross–Ownership'' section, we have found, for purposes of this preliminary determination, certain forestry/logging companies from whom AA and WKS purchased pulp logs during the POI to be cross–owned with the companies in the production chain. As such, the Department is including all of these cross–owned forestry/logging companies in our analysis of whether the GOI has provided standing timber for less than adequate remuneration.

The GOI provided the laws that outline the types of fees and royalties assessed for the harvest of standing public timber in Indonesia. *Id.* at Exhibit 7. Specifically, the GOI stated that HTI license holders pay an initial license fee at the granting of each concession. In addition, these HTI license holders pay ''cash stumpage fees'' known as PSDH royalty fees which are paid per unit of timber harvested (usually a per ton or per cubic meter unit of measure). The PSDH rate in effect during the POI for acacia harvested from plantations was five percent in accordance with Regulation 59/1998. *Id.* at Exhibit 7. Regulation 74/1999 increased the PSDH rate for all timber harvested from the natural forest from six percent to ten percent, the rate in effect during the POI. *Id.*; *see also* GOI's March 6, 2007 response at page 5. These percentage rates are multiplied by the reference prices set by the GOI for each type of wood harvested to determine the PSDH fee a company should pay per unit of timber harvested. *See* the GOI's January 25, 2007 response at page 15. There were two sets of reference prices in effect during the POI. The first was in effect until February 3, 2005; the second published set of reference prices was put into effect on February 4, 2005. *Id.* at Exhibit 7 under Regulations 436/MPP/Kep/7/2004 and 18/M/Kep/2005, respectively. According to the GOI, the reference prices reflect the market prices for each type of log sold in Indonesia. *Id.* at page 15.

In addition to the PSDH fee, a per unit Rehabilitation Fee (dana reboisasi or DR) is paid for timber harvested from the natural forest and remained the same throughout the POI. *Id.* at page 13; *see also* the GOI's January 25, 2007 response at Exhibit 7 for the fee paid during the POI under Regulation 92/1999. The GOI stated that HTI license holders are not subject to the DR when ''the wood harvested comes from their own plantation assets.'' *Id.* at page 6. However, respondents reported that for pre–existing timber that is cleared within the plantation boundaries to allow new planting on the plantations, they ''pay PSDH and DR fees on timber that is harvested during clearing exercises.'' *See* respondents' March 6, 2007 response at page 14. As stated above, all five of the forestry/logging companies reported in the questionnaire response as being affiliated with respondents, harvested from their own plantations. They harvested acacia, mixed tropical hardwood (MTH) chipwood, and smaller volumes of MTH pulp logs.

The GOI initially reported that numerous products, both timber and non–timber, are harvested from public land owned by the GOI. *See* GOI's January 25, 2007 response at page 4; however, the GOI did not report the number of industries that had rights to harvest standing timber. In our supplemental questionnaire, we requested that the GOI identify for the years 2002 through 2005, every company, and the industry in which it was classified, that applied for and was approved or rejected for either an HPH or HTI license. *See* the Department's February 16, 2007 Supplemental Questionnaire at 2. The GOI did provide a list of company names but did not identify the company's industry classification. We also requested that the GOI identify the Indonesian industrial classifications for companies that harvest timber and consume timber as a primary input. *Id.* at 2. In response, the GOI stated that the following five industries used standing timber either through consumption of timber as a primary input or through products that are produced with timber: the wood and wood products, paper and paper products, publishing and printing, chemical, and furniture industries. *See* GOI's March 6, 2006 response at page 6 and Exhibit Supp–5.

Although we are concerned that in its supplemental questionnaire response the GOI broadened the scope of our question by adding in industries that do not harvest timber or consume timber as a primary input, we are relying on the GOI's statement that five industries are provided standing timber by the GOI for purposes of this preliminary determination. We also asked the GOI to identify the total number of industries in Indonesia at the same level of industrial classification in which the GOI placed the industries that harvest or consume timber. *See* the Department's February 16, 2007 Supplemental Questionnaire at 2. In response, the information provided by the GOI identifies a total of 23 industries at the level of large and medium manufacturing activities. *See* the GOI's March 6, 2006, response at page 6 and Exhibit Supp–5. Therefore, even relying on the GOI's statement that five industries use this program, these five industries constitute a limited group of industries within the universe of 23

industries identified by the GOI. Accordingly, we preliminarily determine that provision of standing timber by the GOI is *de facto* specific in accordance with section 771(5A)(D)(iii) of the Act.

We also preliminarily determine that the provision of standing timber provides a financial contribution as described in section 771(5)(D)(iii) of the Act (provision of goods or services other than general infrastructure). Pursuant to section 771(5)(E)(iv) of the Act, a benefit is conferred when the government provides a good or service for less than adequate remuneration. Section 771(5)(E) of the Act further states that ''the adequacy of remuneration shall be determined in relation to prevailing market conditions for the good or service being provided . . . in the country which is subject to the investigation or review. Prevailing market conditions include price, quality, availability, marketability, transportation, and other conditions of . . . sale.''

Section 351.511(a)(2) of the Department's regulations sets forth the basis for identifying comparative benchmarks for determining whether a government good or service is provided for less than adequate remuneration. These potential benchmarks are listed in hierarchical order by preference: (1) market prices from actual transactions within the country under investigation; (2) world market prices that would be available to purchasers in the country under investigation; or (3) an assessment of whether the government price is consistent with market principles. This hierarchy reflects a logical preference for achieving the objectives of the statute.

The most direct means of determining whether the government required adequate remuneration is by comparison with private transactions for a comparable good or service in the country. Thus, the preferred benchmark in the hierarchy is an observed market price for the good, in the country under investigation, from a private supplier (or, in some cases, from a competitive government auction) located either within the country, or outside the country (the latter transaction would be in the form of an import). This is because such prices generally would be expected to reflect most closely the commercial environment of the purchaser under investigation.

Thus, in accordance with the first preference in the hierarchy, to determine the existence and extent of the benefit, we would need to identify an observed market stumpage price from a private supplier in Indonesia. The GOI reported that there were only 233,811 hectares of private forest land and that it does not maintain information on the value of any private sales of standing timber in Indonesia. *See* the GOI's March 6, 2007 response at page 3. We preliminarily determine that there are no market–determined stumpage fees in Indonesia upon which to base a ''first tier'' benchmark. This is consistent with our finding in *Lined Paper Final* at ''Benchmark for Stumpage'' section. As noted above, the GOI has not provided any information on the sale of either privately–owned standing timber in Indonesia, or the stumpage fees charged by private timber companies. *See* the GOI's March 6, 2007 response at page 3. Nor has the Department been able to identify such information from any other available source. Accordingly, the Department has no private stumpage data in Indonesia that could even be evaluated for purposes of a ''first tier'' benchmark.

The ''second tier'' benchmark, according to the regulations, relies on world market prices that would be available to the purchasers in the country in question, though not necessarily reflecting prices of actual transactions involving that particular producer. In selecting a world market price under this second approach, the Department will examine the facts on the record regarding the nature and scope of the market for that good to determine if that market price would be available to an in–country purchaser. As discussed in the *CVD Preamble*, the Department will consider whether the market conditions in the country are such that it is reasonable to conclude that a purchaser in the country could obtain the good or service on the world market. For example, a European price for electricity normally would not be an acceptable comparison price for electricity provided by a Latin American government, because electricity from Europe in all likelihood would not be available to consumers in Latin America. However, as another example, the world market price for commodity products, such as certain metals and ores, or for certain industrial and electronic goods commonly traded across borders, could be an acceptable comparison price for a government–provided good, provided that it is reasonable to conclude from record evidence that the purchaser would have access to such internationally traded goods. *See CVD Preamble* at 63 FR 65377.

We have insufficient evidence of world market prices for standing timber on the record of this investigation. This finding is also consistent with *Lined Paper*. Respondents have provided information regarding stumpage rates in the United States and have argued that the Department should use U.S. stumpage rates as a benchmark, consistent with our determination in *Notice of Final Affirmative Countervailing Duty Determination and Final Negative Critical Circumstances Determination: Certain Softwood Lumber Products From Canada*, 67 FR 15545 (April 2, 2002) (''*Lumber*'') and accompanying *Issues and Decision Memorandum* at section ''C.I.B.'' However, respondents have not demonstrated that the types of U.S. timber they are suggesting for comparison purposes are grown in similar conditions as those in Indonesia and are similar to the species harvested in Indonesia as pulpwood. These were all important factors which supported the Department's decision to use U.S. stumpage prices in *Lumber*. *Id.* Based on the record in this investigation, we preliminarily determine that U.S. stumpage prices do not satisfy the ''second tier'' benchmark requirements.

In the alternative, respondents have also provided information on Malaysian stumpage rates for acacia, one of the species used to produce pulp and paper products in Indonesia. However, the information respondents provided is a study commissioned by them for purposes of this investigation and consists of a statement of opinion that includes no supporting documentation to establish the authenticity of the figures used to calculate this benchmark rate. Even if this study were independent and the data in it supported, the respondents have not addressed how these Malaysian stumpage rates are representative of rates that would be available to a purchaser in Indonesia. Consequently, these data do not provide an appropriate basis for a ''second tier'' benchmark.

Since we are not able to conduct our analysis under the ''second tier'' of the regulations, consistent with the hierarchy, we are preliminarily measuring the adequacy of remuneration by assessing whether the government price is consistent with market principles. This approach is set forth in section 351.511(a)(2)(iii) of the Department's regulations and is explained further in the *CVD Preamble* at 65378: ''Where the government is the sole provider of a good or service, and there are no world market prices available or accessible to the purchaser, we will assess whether the government price was set in accordance with market principles through an analysis of such factors as the government's price–setting philosophy, costs (including rates of

return sufficient to ensure future operations), or possible price discrimination.'' The regulations do not specify how the Department is to conduct such a market principle analysis. By its nature the analysis depends upon available information concerning the market sector at issue and, therefore, must be developed on a case–by-case basis.

The GOI has not provided information or documentation which demonstrates that the stumpage fees it charges are established in accordance with market principles. Although the PSDH rates are established as a percentage of the reference price of logs, we cannot conclude that the log reference price is reflective of market principles or is a market–determined price. The GOI reported that the reference price is normally determined by a weighted–average of both the Indonesian domestic and export prices for logs. However, since a log export ban is in place, the reference price is currently determined solely from domestic prices. *See* GOI's January 25, 2007 response at page 15. Through its ownership of virtually all of Indonesia's harvestable forests, the GOI has complete control over access to the timber supply. In addition, the ban on the export of logs affects the price for logs. *Id.* at Exhibit 7 under Regulations 1132/Kpts–II/2001 and 292/MPP/Kep/10/2001; *see also* GOI's March 6, 2007 response at Exhibit Supp–12 and the paper by the Centre for Strategic and International Studies on ''Competitiveness and Efficiency of the Forest Product Industry in Indonesia'' (noting a study on page 6 that the ''stumpage value was reduced by 33% under the log export ban policy.''). As such, the reference prices for logs cannot be considered market–based. Thus, we preliminarily determine that the stumpage fees charged by the GOI which are charged as a percentage of a non–market determined reference price are not based on market principles.

Since the government price was not set in accordance with market principles, we looked for an appropriate proxy to determine a market–based stumpage benchmark. It is generally accepted that the market value of timber is derivative of the value of the downstream products. The species, dimension and growing condition of a tree largely determine the downstream products that can be produced from a tree; the value of a standing tree is derived from the demand for logs produced from that tree and the demand for logs is in turn derived from the demand for the products produced from these logs. *See e.g., Notice of Final Results of Countervailing Duty Administrative Review and Rescission of Certain Company–Specific Reviews: Certain Softwood Lumber Products From Canada*, 69 FR 75917 (December 20, 2004), and accompanying *Issues and Decision Memorandum* at pages 16–18.

As a result of the geographic proximity and the similarities of forest conditions, climate, and tree species between Indonesia and Malaysia, we have selected Malaysian pulp log export prices as the most appropriate basis for evaluating whether Indonesian stumpage is priced consistent with market principles. *See* section 351.511(a)(2)(iii) of the Department's regulations; *see also Preliminary Affirmative Countervailing Duty Determination on Coated Free Sheet Paper from Indonesia: Analysis Memorandum on Calculations for PT. Pabrik Kertas Tjiwi Kimia Tbk and PT. Pindo Deli Pulp and Paper Mills* (*Preliminary Analysis Memo*), dated March 29, 2007. This is consistent with our finding in *Lined Paper Final*. Furthermore, neither party has argued that Malaysian pulpwood is not suitable for comparison purposes. These export transactions reflect prices resulting from private transactions between Malaysian pulp log sellers and pulp log buyers in the international market; thus, they represent market–determined prices. Accordingly, we are using the value of pulp log exports from Malaysia during the POI, as reported in the ''World Trade Atlas,'' as the starting point for determining whether the GOI is providing standing timber for less than adequate remuneration.

To determine which Malaysian export statistics to include in the benchmark, we evaluated the suggestions submitted by the parties regarding Malaysian log export prices for several types and species of logs. The respondents have reported that acacia and MTH are the types of timber that were harvested from HTI plantations for pulp and paper production in Indonesia and that AA, WKS, SPA, RAL, and FI harvested either one or both of these types of pulpwood from plantations. *See* respondents' March 6, 2007 questionnaire response at Exhibit Supp–10; *see also Cross–Ownership Memo* on timber purchased by AA and WKS from the suppliers that we have preliminarily determined are also cross–owned. For acacia, none of the parties suggested using anything other than the value of acacia pulp log exports from Malaysia. No record information suggests that exports of acacia pulp logs are not the appropriate basis to use as the starting point for determining whether the GOI is providing acacia pulpwood for less than adequate remuneration.

For MTH, respondents suggested that we rely on export data for three categories of pulpwood, one of which is identified as light hardwood pulpwood and the other two as light hardwood pulpwood of the species batai and meransi. Petitioner has suggested that we use the same benchmark for MTH that we used in *Lined Paper Final*, which was based on the value of exports of sawlogs, veneer logs, and other wood of the species kapur, keruin, ramin, and other tropical woods. We do not find it appropriate to use the export values of the types of logs used in the *Lined Paper Final*, as suggested by petitioner, because those log types included saw logs and veneer logs, as adverse facts available in that case. In addition, we have preliminarily determined not to include the batai and meransi categories of pulp logs suggested by respondents because they have not demonstrated that these particular types of wood are harvested as pulpwood in Indonesia. If the GOI can demonstrate that these other types of wood are harvested as pulpwood in Indonesia, we will consider including them in any calculation of the Malaysian export values in the final determination. Therefore, for purposes of this preliminary determination, we have decided to use Malaysian exports of light hardwood pulpwood, of a type not elsewhere specified (HTS 4403.99.195) as the starting point for determining whether the GOI is providing MTH pulp logs and chipwood for less than adequate remuneration.

Using the Malaysian export data for acacia and light hardwood pulpwood, we calculated two unit values: one to use for acacia pulp logs and one to use for MTH chipwood and pulp logs. *See Preliminary Analysis Memo*. To derive a market–based benchmark price for Indonesian stumpage, we then adjusted the Malaysian export log prices to remove the Indonesian costs of extraction (harvesting) of the standing timber. To determine the Indonesian harvesting costs (including a reasonable amount for profit associated with extraction), we used information contained in ''Addicted to Rent: Corporate and Spatial Distribution of Forest Resources in Indonesia; Implications of Forest Sustainability and Government Policy.'' This study, which was submitted as Exhibit V–8 of the October 31, 2006 petition, provided the only independent source that specifies extraction costs and profit in Indonesia. The amounts in this report are $17 for extraction costs and $5 for profit in connection with extraction.

Both the petitioner and the respondents have argued (albeit for

different reasons and for different adjustments) that the Department could use the forestry/logging companies' reported actual costs for harvesting to adjust the Malaysian log export prices. However, for purposes of this preliminary determination, we have decided not to use these actual costs. We may consider using these actual costs for the final determination if the GOI can demonstrate that it has a system in place to evaluate exactly which costs are legitimately considered to be harvesting and extraction costs, and that it has evaluated how to distinguish the types of costs relevant to harvesting on plantations versus the natural forest, and that it has a system in place to distinguish the costs of extraction on plantations versus other plantation development and maintenance costs.

Based on our analysis of the information on the record, as well as our own research which shows that acacia is grown on plantations in Malaysia just as it is in Indonesia, we preliminarily determine that no other adjustments (other than the extraction costs and the profit associated with extraction) are necessary to the Malaysian export prices to derive a market–based stumpage price in Indonesia. *See Preliminary Analysis Memo*.

We then compared this derived market–based stumpage price to the stumpage fees paid by respondents' cross–owned forestry/logging companies.[2] Where possible, we used the reported PSDH royalty fees and the relevant DR reforestation fees that the respondents' cross–owned forestry/logging companies reported paying during the POI for each of the types of Indonesian pulp logs (acacia and MTH) harvested during the POI. *See* respondents' March 6, 2007 response at Exhibit Supp–10. For MTH chipwood and pulp logs (the GOI defines chipwood as timber of any length whose diameter is less than 29 centimeters), respondents reported payments of both PSDH and DR; for acacia, respondents only reported payments of PSDH because DR fees are not required on these logs which are harvested from the plantation. *Id.* at page 16.

To determine the existence and extent of the benefit for acacia and MTH on a per–unit basis, we compared the actual payment of PSDH fees by AA, WKS, SPA, RAL and FI on accacia to the benchmark stumpage fee derived from the Malaysian export prices for accacia pulp logs. We then compared, where possible, the actual PSDH fees and DR fees paid by AA, WKS, SPA, RAL and FI on MTH chipwood and pulp logs, to the corresponding derived stumpage benchmark for MTH pulpwood. Respondents claimed that the Department should make adjustments to these actual stumpage payments to the GOI for a number of harvesting costs, taxes and annual license fees that the companies incur. We have already factored in, as a deduction from the Malaysian export prices, an amount for total harvesting costs. The GOI has provided no basis for making an adjustment for taxes. While an adjustment for an annual licensing fee may be warranted, the GOI did not provide any information on what those annual licensing fees are and the companies did not report what they paid in annual licensing fees during the POI.

Based on the comparison of the per–unit stumpage fees actually paid on each type of wood with the market–derived stumpage benchmark, we determine that the GOI provided standing timber for less than adequate remuneration. We then multiplied the difference between the actual fee paid on a per–unit basis and the benchmark stumpage rate, by multiplying this per–unit stumpage benefit for each type of wood by the reported volume of each type of wood that was harvested and sold to IK and Lontar during the POI for these five forestry/logging companies.

For the pulp logs purchased by AA and WKS from the additional suppliers that we have preliminarily determined are cross–owned (*see* ''Cross–Ownership'' section above), we did not have information about the actual stumpage and DR fees paid. We calculated the amount of the stumpage paid for acacia by multiplying the volume of acacia pulp logs produced by these suppliers which was purchased by AA and WKS, by the PSDH that would have been charged by the GOI during the POI. The MTH stumpage payments were calculated by multiplying the volume of MTH pulp logs produced by these suppliers which was purchased by AA and WKS, by the PSDH that would have been charged by the GOI during the POI, plus the DR fee charged on MTH pulp logs that would have been charged by the GOI during the POI. We compared the resulting calculated stumpage and DR fees paid by pulp log type, to the appropriate benchmark. We multiplied the resulting difference by the volume of pulp logs sold to AA and WKS by these cross–owned pulp log suppliers to determine the benefit.

Since we have preliminarily determined that the forestry/logging companies are cross- owned with the pulp and paper producers and that the pulp logs produced by these cross–owned forestry/logging companies are primarily dedicated to the production of the downstream products (*see* ''Cross–Ownership'' section above), we preliminarily find that the GOI's provision of timber for less than adequate remuneration provides a countervailable subsidy to TK/PD. To determine the subsidy rate, we first summed all of the benefit amounts calculated for the cross–owned forestry/logging companies. We then divided the aggregate benefit by the sum of the external sales values of TK, PD, IK, and Lontar (*i.e.*, total FOB sales values minus any cross–owned inter–company sales), adjusted, where possible, for sales returns, claims, and discounts. We have not included in the denominator any external sales of the cross–owned forestry/logging companies because, as discussed above, we are capturing in the benefit calculation only pulp logs that were harvested/produced by the cross–owned forestry/logging companies that were sold to IK and Lontar. This calculation yields a countervailable subsidy rate of 21.23 percent *ad valorem* for the combined entity TK/PD.

Although the Department initiated an investigation of whether the GOI ban on log exports provides a countervailable subsidy to the respondents, we determine that the issue of the countervailability of the log export ban need not be reached for purposes of this preliminary determination. First, the only source of pulp logs for IK and Lontar, the cross–owned pulp producers which supplied pulp to TK and PD during the POI, was from the cross–owned forestry/logging companies. Respondents stated that ''IK and Lontar did not purchase timber from any supplier other than AA and WKS during the POI.'' *See* respondents' March 6, 2007 response at page 10. Second, we have preliminarily found that IK's and Lontar's total supply of pulp logs is roughly equivalent to the total quantity of pulp logs harvested by AA and WKS, plus the quantity of pulp logs purchased by AA and WKS from cross–owned forestry/logging companies in the CFS production chain. As such, we find it reasonable to conclude for purposes of

[2] Because the Malaysian export values are reported in ringgits and the Indonesian stumpage fees are in rupiahs, and because the sales values reported by IK, Lontar, TK and PD were in U.S. dollars, we have converted all values into U.S. dollars using the annual average exchange rate for the POI reported in the International Monetary Fund Statistics. In addition, where it was necessary to convert between tons and cubic meters, we used a conversion factor reported in the Food and Agriculture Organization of the United Nations' ''Forest Products Yearbook 2003'' which we have placed on the record in the *Preliminary Analysis Memo*.

this preliminary determination that IK's and Lontar's supply of pulp logs was exclusively sourced from the production of these cross–owned companies.

Because we would not attribute to the downstream cross–owned pulp and paper producers a benefit that encompasses a quantity of pulp logs that is greater than the quantity of pulp logs actually produced and sold by the cross–owned forestry/logging companies to the downstream producers, we need not evaluate whether the remaining purchases by AA and WKS of pulp logs from unaffiliated suppliers are benefitting from a subsidy through the log export ban. Furthermore, because we have used export prices of pulp logs from Malaysia as the starting point for deriving a market–based stumpage benchmark, the amount of any benefit to the combined entity TK/PD that might be found in an evaluation of the log export ban is included in the calculation for the provision of standing timber for less than adequate remuneration. Thus, because the total quantity of pulp logs produced by the cross–owned forestry logging companies in the production chain captures the total quantity of pulp logs sold by the cross–owned forestry/logging companies to IK and Lontar, the entire amount of any countervailable subsidy is subsumed under the ''Provision of Standing Timber for Less than Adequate Remuneration'' program, noted above.

B. Subsidized Funding for Reforestation (Hutan Tanaman Industria or HTI Program): ''Zero Interest'' Rate Loans

The GOI reported that ''zero interest'' rate loans were available to some holders of HTI licenses; such licenses are issued for harvesting timber from plantations. The GOI has reported that there are three types of plantations in Indonesia: (1) Privately owned, (2) voluntary HTI joint ventures, and (3) compelled HTI joint ventures for the purpose of implementing transmigration policy. Of these three types of plantations, only HTI joint ventures could apply for zero–interest rate loans.

The GOI reported that the loaned amounts came from the DR Fund. The HTI joint venture could apply for zero–interest loans from the DR Fund for the establishment phase of the plantation. According to the GOI, loan amounts were payable to the joint venture in increments based on the amount of harvesting done each year and the total amount of the loan could not exceed 32.5 percent of the calculated plantation costs. The GOI required that the private party guarantee the loan repayment in full. In 2000, the GOI discontinued funding joint ventures through the DR Fund loan programs, although existing joint ventures which had previously obtained loans through the DR Fund would receive loan disbursements and would be required to make loan payments as required by loan agreements finalized before 2000.

The respondents reported that of the cross–owned forestry/logging companies (see ''Cross–Ownership'' section above), only RAL (a compelled joint venture) and FI (a voluntary joint venture) received ''zero interest'' loans prior to 2000 that remained outstanding during the POI. These loans provide a financial contribution as described in section 771(5)(D)(i) of the Act, as a direct transfer of funds in the form of loans. The loans give rise to a benefit in the amount of the difference between the amount of interest the borrowers actually paid and the amount of interest the borrowers would have paid on a comparable commercial loan under section 771(5)(E)(ii) of the Act. The loan program is specific within the meaning of section 771(5A)(D)(i) of the Act, because participation in the program is limited to HTI joint venture plantations. Therefore, we preliminarily determine that these loans confer countervailable subsidies.

To calculate the benefit (the amount of the interest savings), we applied the benchmark interest rate described in the ''Loan Benchmarks'' section above to the average loan balance outstanding during the POI for both RAL and FI. We then divided the amount of interest savings by the total external sales values of all the cross–owned companies in the production chain (*i.e.*, total FOB sales values minus any cross–owned inter–company sales), adjusted, where possible, for sales returns, claims, and discounts. Thus, we preliminarily determine the countervailable subsidy from the HTI zero–interest rate loan program to be 0.01 percent *ad valorem* for the combined entity TK/PD.

II. Programs Preliminarily Determined To Be Not Used

A. Subsidized Funding for Reforestation (Hutan Tanaman Industria or HTI Program): Commercial Rate Loans

Neither TK, PD, nor any of their cross–owned suppliers reported receiving loans under this program. Therefore, we preliminarily determine that this program was not used.

B. Subsidized Funding for Reforestation (Hutan Tanaman Industria or HTI Program): Government Capital Infusions into Joint Venture Forest Plantation

The respondents reported that RAL and FI, both HTI joint ventures, received captial infusions in the 1990s under this program. However, petitioner's unequityworthiness allegation, and the Department's subsequent initiation, addressed the companies' unequityworthiness from 2001 through the POI (*see Initiation Checklist*). Because the capital infusions were provided prior to 2001, we have not examined whether the GOI provision of capital to joint venture forest plantations provides a countervailable subsidy. Therefore, we preliminarily determine that this program was not used.

Verification

As provided in section 782(i)(1) of the Act, we intend to conduct verification of the GOI's and respondents' questionnaire responses following the issuance of the preliminary determination.

Suspension of Liquidation

In accordance with section 703(d)(1)(A)(i) of the Act, we have calculated a single subsidy rate for the two cross–owned producers/exporters of the subject merchandise. We preliminarily determine the total countervailable subsidy rate to be:

Producer/exporter	Rate
PT. Pabrik Kertas Tjiwi Kimia Tbk/ PT. Pindo Deli Pulp and Paper Mills	21.24 %
All Others	21.24 %

In accordance with sections 703(d) and 705(c)(5)(A) of the Act, we have set the ''all others'' rate as the rate for TK/PD because it is the only producer/exporter investigated.

In accordance with sections 703(d)(1)(B) and (2) of the Act, we are directing U.S. Customs and Border Protection (CBP) to suspend liquidation of all entries of the subject merchandise from Indonesia, 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 the posting of a bond for such entries of the merchandise in the amounts indicated above. This suspension will remain in effect until further notice.

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 non–privileged and non–proprietary 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.

In accordance with section 705(b)(2) of the Act, if our final determination is affirmative, the ITC will make its final determination within 45 days after the Department makes its final determination.

Notification of Parties

In accordance with section 351.224(b) of the Department's regulations, we will disclose to the parties the calculations for this preliminary determination within five days of its announcement. Unless otherwise notified by the Department, interested parties may submit case briefs within 50 days of the date of publication of the preliminary determination in accordance with section 351.309(c)(i) of the Department's regulations. As part of the case brief, parties are encouraged to provide a summary of the arguments not to exceed five pages and a table of statutes, regulations, and cases cited pursuant to section 351.309(c)(2) of the Department's regulations. Rebuttal briefs, which must be limited to issues raised in the case briefs, must be filed within five days after the case briefs are filed in accordance with section 351.309(d) of the Department's regulations.

In accordance with section 351.310 of the Department's regulations, we will hold a public hearing, if requested, to afford interested parties an opportunity to comment on this preliminary determination. Individuals who wish to request a hearing of the Department's regulations must submit a written request pursuant to section 351.310(c) 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 1870, 14th Street and Constitution Avenue, NW, Washington, DC 20230. Pursuant to section 351.310(c) of the Department's regulations, parties will be notified of the schedule for the hearing and parties should confirm by telephone the time, date, and place of hearing 48 hours before the scheduled time. Requests for a public hearing should contain: (1) party's name, address, and telephone number; (2) the number of participants; and, (3) to the extent practicable, an identification of the arguments to be raised at the hearing.

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

Dated: March 29, 2007.

David M. Spooner,

Assistant Secretary for Import Administration.

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