

72 FR 5271, February 5, 2007

C-475-819
Second Sunset Review
Public Document
IA/O1: ART

DATE: January 30, 2007

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

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

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

Summary

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

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

History of the Order

Investigation

On June 14, 1996, the Department of Commerce (“the Department”) published its final determination in the countervailing duty investigation of pasta from Italy. See Final Affirmative Countervailing Duty Determination: Certain Pasta (“Pasta”) from Italy, 61 FR 30288 (June 14, 1996). On July 24, 1996, the Department published the countervailing duty order and amended final countervailing duty determination in the Federal Register. See Notice of Countervailing Duty Order and Amended Final Affirmative Countervailing Duty Determination: Certain Pasta (“Pasta”) From Italy, 61 FR 38544 (July 24, 1996).

The following ten programs were found to confer countervailable subsidies in the original investigation:

- (1) Local Income Tax (ILOR) Exemptions;
- (2) Industrial Development Grants Under Law 64/86;
- (3) Industrial Development Loans Under Law 64/86;
- (4) Export Marketing Grants Under Law 304/90;
- (5) Social Security Reductions and Exemptions;
 - a. Sgravi Benefits;
 - b. Fiscalizzazione Benefits;
 - c. Law 407/90 Benefits;
 - d. Law 863 Benefits;
- (6) European Regional Development Fund;
- (7) European Social Fund;
- (8) Export Restitution Payments;
- (9) Lump-Sum Interest Payment Under the Sabatini Law for Companies in Southern Italy; and
- (10) Remission of Taxes on Export Credit Insurance Under Article 33 of Law 227/77.

In the original investigation, the Department also determined that one program was not countervailable, and that ten programs were not used by the companies under investigation. The list below identifies manufacturers, producers, and exporters, and net subsidies determined by the Department in the original investigation.

Manufacturers/Producers/Exporters	Net subsidy (percent)
Agritalia, S.r.l.	2.55
Arrighi S.p.A. Industrie Alimentari	2.44
Barilla G. e R. F.lli S.p.A (“Barilla”)	Excluded ¹
De Matteis Agroalimentare S.p.A.	2.47
Delverde, S.r.l.	5.90
F.lli De Cecco di Filippo Fara S. Martino S.p.A.	3.37
Gruppo Agricoltura Sana S.r.L.(“Gruppo”)	Excluded ²
Industria Alimentare Colavita, S.p.A	2.04
Isola del Grano S.r.L.	11.23
Italpast S.p.A.	11.23
Italpasta S.r.L.	2.44

¹ Barilla was excluded from the order during the original investigation due to a de minimis rate.

² Gruppo was excluded from the order during the original investigation due to a zero rate.

La Molisana Alimentari S.p.A.	4.17
Labor S.r.L.	11.23
Molino e Pastificio De Cecco S.p.A. Pescara	3.37
Pastificio Guido Ferrara	1.21
Pastificio Campano, S.p.A.	2.59
Pastificio Riscossa F.lli Mastromauro S.r.L.	6.91
Tamma Industrie Alimentari di Capitanata	5.90
All Others	3.85

The Department has completed nine administrative reviews since the issuance of the order. See Certain Pasta From Italy: Final Results of Countervailing Duty Administrative Review, 63 FR 43905 (August 17, 1998) (“first administrative review”); Certain Pasta From Italy: Final Results of the Second Countervailing Duty Administrative Review, 64 FR 44489 (August 16, 1999), *as amended* 64 FR 51293 (September 22, 1999) (“second administrative review”); Certain Pasta From Italy: Final Results of the Third Countervailing Duty Administrative Review, 66 FR 11269 (February 23, 2001) (“third administrative review”); Certain Pasta from Italy: Final Results of the Fourth Countervailing Duty Administrative Review, 66 FR 64214, (December 12, 2001), *as amended* 67 FR 59 (January 2, 2002) (“fourth administrative review”), Certain Pasta from Italy: Final Results of the Fifth Countervailing Duty Administrative Review, 67 FR 52452 (August 12, 2002) (“fifth administrative review”); Certain Pasta from Italy: Final Results of the Sixth Countervailing Duty Administrative Review, 68 FR 48599 (August 14, 2003) (“sixth administrative review”); Certain Pasta from Italy: Final Results of the Seventh Countervailing Duty Administrative Review, 69 FR 70657 (December 7, 2004) (“seventh administrative review”); Certain Pasta from Italy: Final Results of the Eighth Countervailing Duty Administrative Review, 70 FR 37084 (June 28, 2005), *as amended* 70 FR 62097 (October 28, 2005) (“eighth administrative review”); Certain Pasta from Italy: Final Results of the Ninth Countervailing Duty Administrative Review and Notice of Revocation of Order, in Part, 71 FR 36318 (June 26, 2006) (“ninth administrative review”). On August 30, 2006, the Department initiated the tenth countervailing duty administrative review of Pasta from Italy. See Initiation of Antidumping and Countervailing Duty Administrative Reviews and Requests for Revocation in Part, 71 FR 51573 (August 30, 2006). The preliminary results are due April 2, 2007.

First Administrative Review

In the final results of the first administrative review, the net countervailable subsidies ranged between zero and 7.78 percent. The Department determined that ten programs were not used by the companies under review, and the following ten programs were found to confer countervailable subsidies:

- (1) Local Income Tax (ILOR) Exemptions;
- (2) Industrial Development Grants Under Law 64/86;
- (3) Industrial Development Loans Under Law 64/86;
- (4) Export Marketing Grants Under Law 304/90;
- (5) Social Security Reductions and Exemptions;

- a. Sgravi Benefits;
- b. Fiscalizzazione Benefits;
- c. Law 407/90 Benefits;
- d. Law 863 Benefits;
- (6) European Social Fund;
- (7) Export Restitution Payments;
- (8) Lump-Sum Interest Payment Under the Sabatini Law for Companies in Southern Italy;
- (9) Remission of Taxes on Export Credit Insurance Under Article 33 of Law 227/77; and
- (10) PRISMA.

Second Administrative Review

In the amended final results of the second administrative review, the net countervailable subsidies ranged from 0.45 to 3.98 percent. The Department determined that fifteen programs were not used by the companies under review, and the following eight programs were found to confer countervailable subsidies:

- (1) Industrial Development Grants Under Law 64/86;
- (2) Industrial Development Loans Under Law 64/86;
- (3) Industrial Development Grants Under Law 488/92;
- (4) Export Marketing Grants Under Law 304/90;
- (5) Social Security Reductions and Exemptions;
 - a. Sgravi Benefits;
 - b. Fiscalizzazione Benefits;
 - c. Law 407/90;
 - d. Law 863 Benefits;
- (6) European Social Fund;
- (7) Export Restitution Payments; and
- (8) Remission of Taxes on Export Credit Insurance Under Article 33 of Law 227/77.

Third Administrative Review

In the third administrative review, the net subsidies ranged between 0.71 and 4.04 percent. The Department determined that eighteen programs were not used by the companies under review, and that one program, Fiscalizzazione Benefits (also a part of the Social Security Reductions and Exemptions Program) had been terminated. The following ten programs were found to confer countervailable subsidies:

- (1) Industrial Development Grants Under Law 64/86;
- (2) Law 488/92 Industrial Development Grants;
- (3) Industrial Development Loans Under Law 64/86;
- (4) Law 183/76 Industrial Development Grants;

- (5) Law 304/90 Export Marketing Grants;
- (6) Social Security Reductions and Exemptions- Sgravi Benefits;
- (7) Law 598/94 Interest Subsidies;
- (8) Law 236/93 Training Grants;
- (9) European Social Fund; and
- (10) Export Restitution Payments.

Fourth Administrative Review

In the amended fourth administrative review, the net subsidies ranged between 0.99 and 7.12 percent. Five programs were found to not confer countervailable subsidies in the period of review (“POR”), ten programs were determined to be not used by the companies under review, and the following thirteen programs were found to confer countervailable subsidies:

- (1) Law 64/86 Industrial Development Grants;
- (2) Law 488/92 Industrial Development Grants;
- (3) Law 183/76 Industrial Development Grants;
- (4) Industrial Development Loans Under Law 64/86;
- (5) Law 341/95 Interest Contributions on Debt Consolidation Loans;
- (6) Law 598/94 Interest Subsidies;
- (7) Social Security Reductions and Exemptions - Sgravi;
- (8) IRAP Exemptions;
- (9) Law 236/93 Training Grants;
- (10) Law 304/90 Export Marketing Grants;
- (11) European Regional Development Fund;
- (12) Export Restitution Payments; and
- (13) Duty-free Import Rights.

Fifth Administrative Review

In the fifth administrative review, the net subsidies ranged between zero and 3.85 percent. Seventeen programs were found not to be used by the companies under review, and the following nine programs were determined to confer countervailable subsidies:

- (1) Law 64/86 Industrial Development Grants;
- (2) Law 488/92 Industrial Development Grants;
- (3) Industrial Development Loans Under Law 64/86;
- (4) Law 341/95 Interest Contributions on Debt Consolidation Loans ;
- (5) Social Security Reductions and Exemptions - Sgravi;
- (6) IRAP Exemptions;
- (7) Law 304/90 Export Marketing Grants;
- (8) Export Restitution Payments; and
- (9) IRPEG Exemptions.

Sixth Administrative Review

In the sixth administrative review, the net subsidies ranged between zero and 3.85 percent. Nineteen programs were found not to be used by the companies under review, and the following seven programs were determined to confer countervailable subsidies:

- (1) Law 64/86 Industrial Development Grants;
- (2) Law 488/92 Industrial Development Grants;
- (3) Industrial Development Loans Under Law 64/86;
- (4) Law 341/95 Interest Contributions on Debt Consolidation Loans;
- (5) Social Security Reductions and Exemptions - Sgravi;
- (6) IRAP Exemptions; and
- (7) Export Restitution Payments.

Seventh Administrative Review

In the seventh administrative review, the net subsidies ranged from zero and 3.85 percent. Twenty programs were determined not to have been used by the companies under review, one program was found not countervailable, seven programs were determined not to confer subsidies during the POR, and the following eight programs were determined to confer subsidies:

- (1) Export Marketing Grants Under Law 304/90;
- (2) Industrial Development Grants Under Law 488/92;
- (3) Industrial Development Loans Under Law 64/86;
- (4) European Regional Development Fund Grants;
- (5) Law 236/93 Training Grants;
- (6) Law 1329/65 Interest Contributions (Sabatini Law) (Formerly Lump-Sum Interest Payment Under the Sabatini Law for Companies in Southern Italy);
- (7) Development Grants Under Law 30 of 1984; and
- (8) Law 908/55 Revolving Fund for Economic Initiatives.

Eighth Administrative Review

In the amended eighth administrative review, the net subsidies ranged between zero and 3.85 percent. One program, Export Marketing Grants Under Law 304/90, was found to confer countervailable subsidies, thirty-two programs were determined not to have been used by the companies under review, and two programs were determined not to confer subsidies during the POR.

Ninth Administrative Review

In the ninth administrative review, the net subsidies ranged between zero and 3.85 percent. The order was partially revoked with respect to Pasta Lensi R.r.l. ("Lensi"). Twenty-eight programs were determined to be not used by the companies under review, three programs were determined

not to be countervailable during the POR, six programs were determined to be terminated³ with no residual benefit and the following two programs were found to confer countervailable subsidies:

- (1) Export Marketing Grants Under Law 304/90; and
- (2) Social Security Reductions and Exemptions - Sgravi (Article 44 of Law 448/01).

Other Issues

The Department has issued several scope rulings with respect to this order. See Notice of Scope Rulings and Anticircumvention Inquiries, 63 FR 6722 (February 10, 1998); Notice of Scope Rulings and Anticircumvention Inquiries, 63 FR 59544 (November 4, 1998); and Notice of Scope Rulings and Anticircumvention Inquiries, 65 FR 41957 (July 7, 2000).

The Department has also issued several anti-circumvention inquiries with respect to this order. See Notice of Anti-Circumvention, 65 FR 26179 (May 5, 2000); and Anti-Circumvention Inquiry of the Antidumping and Countervailing Duty Orders on Certain Pasta from Italy: Affirmative Final Determinations of Circumvention of Antidumping and Countervailing Duty Orders, 68 FR 54888 (September 19, 2003).

On July 14, 2003, the Department published its final results of a changed circumstances review finding that Lensi is the successor-in-interest to Italian American Pasta Company Italia S.r.l. (“IAPC”) and that Lensi should be assigned the countervailing duty deposit rate calculated by the Department for IAPC in the most recently completed administrative review. See Notice of Final Results of Antidumping and Countervailing Duty Changed Circumstances Reviews: Certain Pasta From Italy, 68 FR 41553 (July 14, 2003).

On February 25, 1998, at the request of C.O.R.E.X., S.r.l. (“Corex”), the Department initiated a new shipper review, covering the period from January 1, 1997 through December 31, 1997. See Certain Pasta from Italy: Initiation of New Shipper Antidumping and Countervailing Duty Administrative Reviews, 63 FR 10590 (March 4, 1998). In our final results, we determined the net subsidy for Corex to be 0.95 percent *ad valorem*. See Certain Pasta from Italy: Final Results of New Shipper Countervailing Duty Administrative Review, 63 FR 66121 (December 1, 1998). On February 27, 2003, the Department initiated a new shipper review of Pastificio Carmine Russo S.p.A. (“Pastificio Russo”), covering the period from January 1, 2002 through December 31, 2002. See Certain Pasta From Italy: Notice of Initiation of Countervailing Duty New Shipper Review, 68 FR 10446 (March 5, 2003). However, the seventh administrative review covering the same period of review also included Pastificio Russo. Therefore, because the

³ Regional Tax Exemptions Under IRAP, VAT Reductions Under Laws 64/86 and 675/55, Corporate Income Tax (IRPEG) Exemptions, Remission of Taxes on Export Credit Insurance Under Article 33 of Law 227/77, Export Marketing Grants Under Law 304/90, and Tremonti Law 383/01.

Department typically does not conduct parallel reviews covering the same POR, we rescinded this new shipper review. See Certain Pasta from Italy: Notice of Rescission of Countervailing Duty New Shipper Review 68 FR 68034 (December 5, 2003).

As a result of our findings in the investigation and the various reviews, the order remains in effect for all Italian pasta producers and exporters except for Barilla, Gruppo, and Lenzi.

Background

On June 1, 2001, the Department initiated its first sunset review of the countervailing duty order on pasta from Italy, pursuant to section 751(c) of the Tariff Act of 1930, as amended, (“the Act”). See Notice of Initiation of Five-year Sunset Reviews, 66 FR 29772 (June 1, 2001). On October 10, 2001, the Department published a notice of final results of its expedited sunset review of the Italy Countervailing Duty (“CVD”) Order. See Final Results of Sunset Review: Countervailing Duty Order on Certain Pasta From Italy, 66 FR 51640 (October 10, 2001).

Based on the substantive comments provided by the petitioners and the inadequate response from respondent interested parties, the Department determined that revocation of the countervailing duty order on certain pasta from Italy would be likely to lead to continuation or recurrence of a countervailable subsidy. Id. On November 2, 2001, the U.S. International Trade Commission (“the Commission”), pursuant to section 751(c) of the Act, determined that revocation of the countervailing duty order on pasta from Italy would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time. See Certain Pasta from Italy and Turkey, 66 FR 55697 (November 2, 2001). Therefore, pursuant to 751(d)(2) of the Act and 19 CFR 351.218(f)(4), on November 16, 2001, the Department published a notice of the continuation of the countervailing duty order on pasta from Italy. See Continuation of Countervailing and Antidumping Duty Orders: Pasta from Italy and Turkey, and Clad Steel Plate From Japan, 66 FR 57703 (November 16, 2001).

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

On October 12, 2006, the Department received a request for a twelve day extension of time from the Government of Italy (“GOI”) to submit its substantive response. The Department partially granted the GOI’s request and extended the deadline for filing a substantive response to November 8, 2006. The same extension was also granted to the domestic interested parties, per their request. On November 8, 2006, **the Department received complete substantive responses to**

the notice of initiation from the domestic interested parties and from the GOI. The domestic interested parties assert that most of the domestic interested parties participated in the original investigation, including participation in the scope clarification proceeding. See Domestic Interested Parties' Substantive Response at 4 (November 8, 2006). Furthermore, the GOI expressed its intent to participate in this review as the authority responsible for defending the interests of its domestic industry. See GOI's Substantive Response at 2 (November 8, 2006).

On November 2, 2006, **we received a complete substantive response to the notice of initiation** from the Delegation of the European Commission ("EC") in which the EC expressed its intent to participate in this review as the authority responsible for defending the interest of the Member States of the European Union. See EC's Substantive Response at 1 (November 2, 2006). The Department did not receive any substantive responses from any Italian producers or exporters of the merchandise covered by this order, but received a response from the EC and the GOI. Based on the fact that a government's response alone, normally, is not sufficient for full sunset reviews, we determined to conduct an expedited (120 day) sunset review of this order. See section 751(c)(3)(B) of the Act and 19 CFR 351.218(e)(1)(ii)(C)(2). See, e.g., Final Results of Expedited Sunset Reviews of Countervailing Duty Orders: Pure Magnesium and Alloy Magnesium from Canada, 70 FR 67140 (November 4, 2005). See also letter to Robert Carpenter, Director, Office of Investigations, International Trade Commission, from Wendy Frankel, Director, Import Administration, Department of Commerce, regarding **inadequate response to the notice of initiation from respondent interested parties** (November 21, 2006); and Memorandum from Saliha Loucif, International Trade Compliance Analyst, to Susan Kuhbach, Office Director, **Import Administration, Department of Commerce**, regarding "Adequacy Determination of the Second Sunset Review of the Countervailing Duty Order on Certain Pasta from Italy" (November 21, 2006).

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

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

Discussion of the Issues

In accordance with section 751(c)(1) of the Act, the Department conducted this review to determine whether termination of the countervailing duty order would be likely to lead to continuation or recurrence of a countervailable subsidy. Section 752(b) of the Act provides that, in making this determination, the Department shall consider the net countervailable subsidy determined in the investigation and subsequent reviews, and whether any change in the program which gave rise to the net countervailable subsidy has occurred and is likely to affect that net countervailable subsidy. Pursuant to section 752(b)(3) of the Act, the Department shall provide to the Commission the net countervailable subsidy likely to prevail if the order is revoked. In

addition, consistent with section 752(a)(6), the Department shall provide to the Commission information concerning the nature of the subsidy and whether it is a subsidy described in Article 3.1 and 6.1 of the 1994 World Trade Organization (“WTO”) Agreement on Subsidies and Countervailing Measures.

Below, we address the comments of the interested parties.

1. Likelihood of Continuation or Recurrence of a Countervailable Subsidy

Interested Party Comments

The domestic interested parties argue that revocation of this order is likely to lead to continued and increased subsidization of the subject merchandise. See Domestic Interested Parties’ Substantive Response at 16 (November 8, 2006). In support of this statement, the domestic interested parties assert that the GOI and the EC have provided numerous subsidy programs to the Italian pasta industry over a long period of time, e.g., the EU Pasta Export Restitution Program, ILOR Tax Exemption, Law 64/86 grants and loans, and Sgravi programs. Id. Further, they add that there is no evidence to indicate that these programs will expire soon. Id.

The domestic interested parties observe that, although the countervailing duty order has caused a decline in the use of subsidy programs by Italian pasta producers and exporters, as well as termination of six programs, it has not caused the GOI and/or the EC to terminate other programs. Id. at 17. Instead, the domestic interested parties note that the following new countervailable programs have been identified since the investigation: PRISMA, Law 488/92 Industrial Development Grants, Law 183/76 Industrial Development Grants, Law 598/94 Interest Subsidies, Law 236/93 Training Grants, Development Grants Under Law 30 of 1984, Law 908/55 Revolving Fund for Economic Initiatives, Law 341/95 Interest Contributions on Debt Consolidation Loans, Duty-Free Import Rights, and IRAP Exemptions. Id. at 17.

Referring to the Department’s Policies Regarding the Conduct of the Five-Year (“Sunset”) Reviews of Antidumping and Countervailing Duty Orders (“Policy Bulletin”), the domestic interested parties assert that the Department has clearly stated that continuation of a program will be highly probative of the likelihood of continuation or recurrence of countervailable subsidies. See Domestic Interested Parties’ Substantive Response at 17-18. Furthermore, they add that regardless of a long history of not using a program, the fact that a program has been in place for a long period of time without its use does not indicate that continued subsidization is unlikely. Id. at 18. Moreover, the domestic interested parties assert that the fact that the order has caused companies to discontinue the use of a program during reviews does not mean that these subsidies are unlikely to be used if the order is revoked. Instead, it shows that the order is having its intended effect, and that, absent the order, there is likely to be a return to higher levels of subsidization. Id.

In its response, the EC contends that there will be no negative impact from revocation of the countervailing duty order on pasta from Italy. As shown in the last sunset review and the annual

administrative reviews, there is a long history of non-use of EC programs by Italian pasta producers and exporters. In particular, the EC contends that the PRISMA and the European Social Fund have not been used in the past five years, and the Export Restitution Payments and the European Regional Development Fund have not been used over the past three and two years, respectively. Moreover, the EC claims that the overwhelming majority of programs has never or seldom been used, has not conferred any benefits, has conferred insignificant benefits or is open to all sectors and regions. According to the EC, this demonstrates that there is no likelihood of continuation or recurrence of subsidies because no or insignificant benefits have been granted in recent years.

The GOI concurs that there would be no negative impact from revocation of this order. The history of the order shows non-use of programs, according to the GOI, and sharply reduced rates of subsidization. Specifically, in the first two reviews, thirteen and twelve programs were found used, respectively and ten and fifteen were found not used. In the two most recent reviews, only one program was countervailed and thirty-three and twenty-eight were found not used, respectively. Moreover, the GOI claims, most of the companies countervailed in the investigation have actual CVD rates close to de minimis, like all the companies covered in the three most recent reviews. According to the GOI, the current level of subsidization is likely below the de minimis threshold because of the number of terminated, non-countervailable, insignificant, and non-used programs.

Finally, the GOI objects to the inclusion of a new customs code, 1901.90.9095, in the scope of the order. The GOI claims that examination of the six-digit classification, 1901.90, reveals that this category deals with dairy products, which cannot properly be viewed as “like” the subject merchandise.

In their November 20, 2006 rebuttal, the domestic interested parties point out that the GOI and EC ignore the Department’s findings that certain companies did use and receive benefits from countervailed programs and that the “non-use” only applies to reviewed companies, leaving a potential for use by the non-reviewed companies. Furthermore, the domestic interested parties question the method by which certain programs have been terminated, and argue that they may be reinstated in the future. Additionally, citing to the Department’s Policy Bulletin, the domestic interested parties contest the GOI and EC’s claim that certain programs are no longer countervailable since they have not been deemed as such by the Department in the context of an administrative review. See Domestic Interested Parties’ Rebuttal Comments at 3.

According to the domestic interested parties, the EC’s claim that there will be major changes effective 2007 to the European Regional Development Fund (ERDF) and the European Social Fund (ESF) which may eliminate or alter the subsidy benefits under these programs should be rejected as they have not been implemented yet. Id. at 3. Furthermore, referring to the Department’s subsidies enforcement website listing thirty subsidy programs found to be countervailable with respect to the Italian pasta industry, the domestic interested parties allege that if certain programs may have been terminated or found to be not used by certain companies, there are still numerous subsidy programs still in place. Id. Finally, the domestic interested

parties argue that the continued existence of numerous programs is sufficient evidence that subsidies are likely to continue or recur upon revocation of the order. *Id.* at 5.

Department's Position

According to the Statement of Administrative Action (“SAA”), the Department will consider the net countervailable subsidies in effect after the issuance of the order and whether the relevant subsidy programs have been continued, modified, or eliminated. *See* SAA, H. Doc. No. 316, 103d Cong., 2d Session, Vol. 1 (1994) at 888. The SAA adds that continuation of a program will be highly probative of the likelihood of continuation or recurrence of countervailable subsidies. *Id.* In this case, there is no evidence that the following programs, found countervailable in the investigation, have been terminated: Industrial Development Grants Under Law 64/86, Industrial Development Loans Under Law 64/86, European Regional Development Fund, European Social Fund, Export Restitution Payments, Lump-Sum Interest Payments Under the Sabatini Law and many social security reductions and exemptions. Moreover, the Department found additional programs countervailable in the subsequent administrative reviews and there is no evidence that these programs have been terminated: Industrial Development Grants Under law 488/92, Law 183/76 Industrial Development Grants, Law 598/94 Interest Subsidies, Law 236/93 Training Grants, Law 341/95 Interest Contribution to Debt, Duty Free Import Rights, Development Grants Under Law 30 of 1984, and Law 908/55 Loan. The continued existence of these programs supports finding a likelihood of continued subsidization.

The EC and GOI point to the non-use of programs to support their position that the order should be revoked. We note, however, that benefits continued to be received under several programs in this sunset period. For example, in the seventh administrative review which covered calendar year 2002, the Department found that eight programs conferred subsidies. Although use of the programs has declined over time, this may well reflect the discipline of the countervailing duty order as the domestic interested parties have argued.

Finally, regarding items classified under 1901.90.9095 of the Harmonized Tariff Schedule of the United States (“HTSUS”), due to time constraints, the Department has not included it for purposes of this sunset review. However, the Department will consider this issue in the ongoing administrative review of pasta from Italy. The Department will allow for a comment and rebuttal period from all parties in the administrative review. We note that, although the customs codes are provided for convenience and customs purposes, the written description of the scope language of the merchandise subject to the order is dispositive.

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

2. Net Countervailable Subsidy Likely to Prevail

Interested Party Comments

Citing to the Department's Policy Bulletin and the SAA, the domestic interested parties point out that in determining the magnitude of the subsidy rates that are likely to prevail in the event of revocation, the Department normally selects the subsidy rates established in the original investigation. The domestic interested parties add that the subsidy rate in most cases is to be the company-specific, final rate from the original investigation, as that subsidy rate best reflects the behavior of the respondents free of the constraints of a countervailing duty order. The domestic interested parties state that adjustments to the original countervailing duty rates may be made under certain circumstances, such as where programs have been terminated, where there have been program-wide changes, or the original investigation rates ignore a program found to be countervailable in a subsequent administrative review.

To illustrate their statement, the domestic interested parties refer to the first sunset review where the Department adjusted the net countervailable subsidy rates from the original investigation because four new programs were identified in subsequent administrative reviews, and one subsidy program was later found to be no longer countervailable. The domestic interested parties point out that, since the completion of the first sunset review, new countervailable subsidy programs have been identified by the Department in subsequent administrative reviews and therefore, the Department should make adjustments to the original investigation rates in this review to take into account the subsidy programs that have been identified since the original investigation. They add that the Department should, at the minimum, rely on the net subsidy rates used in the first sunset review. See Domestic Interested Parties' Substantive Response at 21.

The EC discusses four programs specifically. See EC's Substantive Response at 3-5. Concerning Export Restitution payments, the EC argues that this program has been terminated since 2000 with respect to refunds for the pasta sector. Concerning PRISMA, the EC argues that the program was terminated in 1993 and the last payments were made in 1995. Concerning the European Social Fund, the EC argues that in 1999, the system was radically modified and is now no longer countervailable. Further, the EC argues that the program will be replaced in 2007 with a newer program. Concerning the European Regional Development Fund, the EC argues that the program underwent changes in 1999 with the result that the program has not been used by the pasta industry. Further, the EC argues that the program will be reformed again in 2007. Therefore, the EC argues that these programs should no longer be found countervailable.

The GOI discusses seven programs it argues have been terminated, one program it argues has insignificant benefits, and eleven programs that it argues should not be countervailed. See GOI Substantive Response at 3-8. We have outlined the GOI arguments for the terminated programs below:

- 1&2) The GOI argues that the Export Restitution Payments and European Agricultural Guidance and Guarantee Fund are the same program and since July 1, 2000, pasta exports are not eligible for Restitution Payments. There is no likelihood that the program will be reinstated in the future.

- 3) The GOI argues that PRISMA was terminated in 1993, that the last payments from the EC took place in 1995, and the last payments from the GOI took place in 1996.
- 4) The GOI argues that Industrial Development Grants under Law 183/76 were repealed by the promulgation of Law 64/86 in 1986.
- 5) The GOI argues that Industrial Development Grants under Law 64/86 were repealed by the promulgation of Law 488/92 in 1992.
- 6&7) The GOI argues that Training Grants under Law 113/86 and Retraining Grants under Law 675/77 have been terminated since their financial arrangements have not been renewed through further laws.

In their November 20, 2006, rebuttal, the domestic interested parties argue that the EC and GOI have failed to recognize that in recent administrative reviews, de minimis rates were calculated for companies that were not reviewed in the original investigation and that companies reviewed in the original investigation, which have been subject to the order, have maintained rates well above the de minimis level throughout the life of the order. See Domestic Interested Parties' Rebuttal at 6 (November 20, 2006). The domestic interested parties argue that the order may have reduced the use of Italian pasta subsidies by certain companies but it has not caused the GOI or the EC to eliminate these subsidy programs and reverse the course of subsidization of the Italian pasta industry. Therefore, absent the order, there will be a return to higher levels of subsidization. Id. at 6. Finally, the domestic interested parties reiterate that the Department should take into account the new subsidies programs identified since the investigation, by making adjustments to the original investigation rates in this review to calculate the net subsidy rates likely to prevail. Id. They add that the Department should at least rely on the net subsidy rates used in the first sunset review as the rates likely to prevail in the event of revocation. Id.

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

Department's Position

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

Consistent with this, in determining company-specific, net countervailable subsidy rates likely to prevail, the Department has started with the rates found in the original investigation. We have added to the investigation rates the rates from the new subsidy programs found during the first through ninth reviews: PRISMA, Law 488/92 Industrial Development Grants, Law 183/76 Industrial Development Grants, Law 598/94 Interest Subsidies, Law 236/93 Training Grants, Law 341/95 Interest Contributions on Debt Consolidation Loans, Duty-Free Import Rights, IRAP Exemptions, Corporate Income Tax (IRPEG) Exemptions, Development Grants Under Law 30 of 1984, and Law 908/55 (Revolving Fund for Economic Initiatives) Loan. The rates for the new programs were added to all companies rates, consistent with the methodology used in the expedited sunset review of the countervailing duty order on certain hot-rolled carbon steel flat products from India (71 FR 70960, December 7, 2006). See Memorandum to the File entitled, “Calculation of 2nd Sunset Review Rates: Italian Pasta,” (January 30, 2007) (“Calc Memo”).

The EC and GOI have made arguments regarding the inclusion of numerous programs in the rate to be reported to the ITC, including arguments about the countervailability or termination of certain programs. We are not addressing these arguments with respect to any program that has not previously been found countervailable and, therefore, is not a basis for a finding of continuation or recurrence of subsidization. Such programs have likewise not been included in the rates of subsidization likely to prevail.

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

Both the GOI and EC argue that the Export Restitution Payments have been terminated. However, it appears that the program continues to exist, and the GOI only argues that the pasta industry no longer benefits. See GOI Substantive Response at 3 and the EC Substantive Response at 3. Also, the Department conducted verification in Italy during the ninth administrative review where the GOI provided documentation that this program was not used in the period of review, but it did not provide documentation showing that the program had been terminated. See “Verification of the Questionnaire Responses of the Government of Italy in the 9th Administrative Review” (“Verification Report”) (March 31, 2006) at Section V.

The GOI argues that the Industrial Development Grants Under Law 183/76 and the Industrial Development Grants Under Law 64/86 program have been terminated. However, the GOI did not provide proof in the form of a law showing that the laws have been terminated. Furthermore, as noted above, the Department conducted verification in Italy during the ninth administrative review where the GOI provided documentation that these programs were not used in the period of review, but it did not provide documentation showing that the programs had been legally terminated, without residual benefit to any pasta producer and without replacement by another program. See Verification Report at Section V.

The GOI and EC argue that the PRISMA program has been terminated. The Department agrees that this program was terminated. However, during the verification conducted in the ninth administrative review, we were told that the final payment from this program was made in 1996. See Verification Report at Section V. The average useful life (“AUL”) for the pasta industry that the Department uses in this case is twelve years according to the U.S. Internal Revenue Service’s Depreciation Range System. Therefore, since the allocation period for a benefit provided in 1996 continues beyond the period covered by the sunset review, we find that this subsidy continues to exist and have reflected its rate in the rates of subsidization likely to prevail.

The EC and GOI argue that the European Social Fund and the European Regional Development Fund are no longer countervailable because the programs were revised in 1999 and again in 2006. We did not review documentation for the 2006 revision because this occurred after the period covered by this sunset review. When we reviewed the 1999 revision, we saw that the law continues to include Objectives 1 and 2 which address various regions which are depressed in some way. Although the EC and GOI argue that the programs focus on Objective 3 which is not specific, the EC and GOI state that Objectives 1 and 2 are targeted to specific regions. Because this law continues to include regionally specific language, we find that the European Social Fund and the European Regional Development Fund continue to be countervailable. See EC’s Substantive Response at 3-5 and Annexes 1-5, and GOI’s Substantive Response at 6-7 and Annex 1A and 1B.

The GOI argues that the Interest Contributions under Law 1329/65 (formerly Lump-Sum Interest Payment Under Sabatini Law)/Interest Subsidies under Law 598/94 are not countervailable because they are not specific. However, the GOI has not provided sufficient documentation establishing that these payments are neither de jure specific (specific to an enterprise, industry or region by law) nor de facto specific (specific to an enterprise, industry or region by actual use). See GOI Substantive Response at page 5-6. Accordingly, a reconsideration of our earlier finding of countervailability is not warranted.

The GOI argues that the Duty-Free Import Rights program is not countervailable. However, the GOI has not provided sufficient evidence to demonstrate that this program is no longer specific. The Department would need to review the actual laws, as well as other documentation, including information on the distribution amounts, to make findings regarding the de jure and de facto specificity of the program. Id. at 5-7. Accordingly, a reconsideration of the Department’s specificity finding made in prior administrative reviews is not warranted.

The GOI argues that the Industrial Development Grants Under Law 488/92 program is not countervailable because the regional distribution of the financial interventions in the past years is not specific. See GOI Substantive Response at 7 and Annex 8. However, the Department finds that the law is still aimed at the needs of disadvantaged regions, and the attachment lists financial support for the Mezzogiorno and center north regions only. As the GOI has not successfully demonstrated its claim, we find that reconsideration of our prior finding of countervailability is not warranted.

Based on findings in the investigation and administrative reviews, we have determined that the following programs have been terminated with no residual benefits past 2005: Local Income Tax (ILOR), Fiscalizzazione Benefits, Regional Tax Exemptions Under IRAP, VAT Reductions Under Laws 64/86 and 675/55, Corporate Income Tax (IRPEG) Exemptions, Remission of Taxes on Export Credit Insurance Under Article 33 of Law 227/77, Export Marketing Grants Under Law 304/90, and the Tremonti Law. Nor is there any evidence that these programs have been replaced with any new programs that are not also reflected in our likelihood findings.

Accordingly, we have subtracted the rates calculated for these terminated programs from the rates likely to prevail. For each company that used the program, we subtracted the company-specific rate calculated for that company. See Calc Memo. Likewise, in calculating the all others rate, we have subtracted any terminate programs and added in any new subsidy programs countervailed in the course of the administrative reviews. See Calc Memo.

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

Final Results of Review

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

Manufacturers/Producer/Exporter	Net Countervailable Subsidy (percent)
Agritalia, S.r.l.	3.96
Agrrighi S.p.A. Industrie Alimentari	3.85
De Matteis Agroalimentare S.p.A.	3.48
Delverde, S.r.l.	6.76
F.Ili De Cecco di Filippo Fara S. Martino S.p.A.	3.40
Industria Alimentare Colavita, S.p.A.	3.01
Isola del Grano S.r.L.	10.70
Italpast S.p.A.	10.70
Italpasta S.r.L.	3.85
La Molisana Alimentari S.p.A.	4.82

Labor S.r.L.	10.70
Molino e Pastificio De Cecco S.p.A. Pescara	3.40
Pastificio Guido Ferrara	2.34
Pastificio Campano, S.p.A.	3.47
Pastificio Riscossa F.lli Mastromauro S.r.L.	7.81
Tamma Industrie Alimentari di Capitanata	6.76
All Others	4.52

3. Nature of Subsidies

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

Article 3.1

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

1) 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. 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 the private insurance company were totally exempt from the insurance tax by virtue of its reinsurance agreement with SACE. The insurance tax rate was 12.5 percent of premium paid.

2) 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 pasta producer exporting pasta products, regardless of whether the EU pasta producer has purchased the durum wheat used in its pasta exports from within the EU or has imported it. The amount of the restitution payment is calculated by multiplying the prevailing restitution payment rate per 100 kilograms of durum wheat by the weight of the wheat, in kilograms, used to produce the exported pasta. The restitution payment rate itself is based on a levy that the EU imposes on imported durum wheat in order to bring the price of imported durum wheat up to the (typically higher) price level within the EU. Consequently, the amount of the restitution payment, in theory, should equal the difference between the EU's internal price for durum wheat and the world market price for durum wheat, as determined by the EU, exclusive of the levy. The restitution payment rate, like the levy on which it is based, is adjusted by the EU monthly.

The EU uses the restitution payment rate prevailing on the date of exportation of the pasta products to calculate the amount of the restitution payment.

Additionally, under this program, the EU permits a pasta exporter to purchase a certificate that locks in a restitution payment rate if the pasta exporter promises to export a certain amount of pasta by a certain date. The promised export date can be as much as 6 months later. Moreover, the pasta exporter is free to sell this certificate to another pasta exporter. The selling price is determined through negotiations between the seller and the purchaser and typically will be dependent on such factors as the amount of time left until the certificate expires, the purchaser's projected volume of exports, the restitution payment rate under the certificate, and the current and expected future restitution payment rates set by the EU. A pasta exporter that fails to use a certificate by the date set forth in the certificate must pay a penalty.

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

Under the settlement, the EC agreed to allow the importation of durum wheat from any non-EC country free of any levy under a system described in the settlement as "Inward Processing Relief," or "IPR." Under this system, the EC pasta producer 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 in the first place.

As to pasta products containing EC 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 EC 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 EC durum wheat or durum wheat imported without IPR, on the other hand. The goal was for 50 percent of the EC'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 EC's pasta exports to the United States would contain EC 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.

Article 6.1

In the instant review, there could be programs that fall within the meaning of Article 6.1 of the ASCM if the total ad valorem subsidization of a product exceeds five percent. They also could fall within the meaning of Article 6.1 if they constitute debt forgiveness, grants to cover debt repayment, or are subsidies to cover operating losses sustained by an industry or enterprise. However, there is insufficient information on the record of this review in order for the Department to make such a determination. We, however, are providing the ITC with the following program descriptions:

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In all other respects, the program remained unchanged.

3) Law 341/95 Interest Contribution to Debt

Law 85/95 created the *Fondo di Garanzia* aimed at improving the financial structure of small- and medium-sized companies located in EU Objective 1 areas. Under Article 2 of Law 341/95, monies from the *Fondo di Garanzia* are used to make interest contributions on debt consolidation loans obtained by eligible companies. The company first enters into a loan contract with a commercial bank. Then, the contract is submitted to the approving authority. After approval, the loan is made.

4) 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.

5) 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. Pasta companies were eligible for interest contributions to expand existing plants but not to establish new plants.

6) Social Security Reductions and Exemptions Law 407/90 Benefits

This program 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. A 100 percent exemption was allowed for companies in southern Italy. However, companies located in northern Italy received only a 50 percent exemption.

7) Social Security Reductions and Exemptions Law 863 Benefits

This law provides companies in northern Italy a 25 percent reduction in social security payments 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.

8) European Regional Development Fund

The ERDF is one of three Structural Funds operated by the EC. The ERDF was created pursuant to the authority in Article 130 of the Treaty of Rome in order to reduce regional disparities in socio-economic performance within the Community. The ERDF program provides grants to companies located within regions which meet the criteria of Objective 1 (underdeveloped regions), Objective 2 (declining industrial regions) or Objective 5(b) (declining agricultural regions) under the Structural Funds.

9) European Social Fund

The ESF is also one of the Structural Funds operated by the EC. 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 principally provides 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, provided that it is located in an Objective 1, Objective 2, or Objective 5(b) region. The ESF provides grants to such companies in order to train current employees for new jobs or to hire new employees.

10) Lump-Sum Interest Payment Under the Sabatini Law

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.

11) Industrial Development Grants Under Law 488/92

In 1986, the EU initiated an investigation of the GOI's regional subsidy practices. As a result of this investigation, the GOI changed the regions eligible for regional subsidies to include depressed areas in central and northern Italy in addition to the Mezzogiorno. After this change, the areas eligible for regional subsidies are the same as those classified as Objective 1, Objective 2, and Objective 5(b) areas by the EU. The new policy was given legislative form in Law 488/92 under which Italian companies in the eligible areas may apply for industrial development grants. (Loans are not provided under Law 488/92.)

12) Law 183/76 Industrial Development Grant

Law 183/76 is known to the Department as a law that authorizes companies located in the Mezzogiorno to take reductions or exemptions in social security contributions for the hiring of new employees. Law 183/76 also allows for the provision of industrial development grants.

13) Law 598/94 Interest Subsidies

Under Law 598/94, the GOI pays a portion of the interest on certain loans granted to small- and medium-sized industrial companies. These loans are to be used for investments related to technological innovation and/or environmental protection. The GOI has stated that the general level of subsidies under Law 598/94 is 30 percent of the initial interest payable, but is 45 percent for companies in disadvantaged regions of Italy.

14) Law 236/93 Training Grants

Under Law 236/93, which is administered by the regional governments but funded by the GOI, grants are provided to Italian companies for worker training.

15) Duty Free Import Rights

Under Italian and EU customs procedures, companies may seek authorization for duty-free importation of certain agricultural input products, on the condition that processed agricultural products are exported. Under the *Temporanea Importazione* scheme, a processor of agricultural products can apply to import its input duty free and, after processing, to export the processed product. Under the *Riesportazione Preventiva* scheme, the order is reversed: after exporting the processed product, the agricultural input product can be imported duty free. The authorizations for duty-free importation, granted by the customs authorities, are transferable.

16) Development Grants Under Law 30 of 1984

Law 30 of 1984 was enacted by the Regional Government of Friuli-Venezia Giulia to provide one-time development grants to companies for investments in industrial projects, including the construction of new plants and modernization or expansion of existing plants. Eligible companies can receive a grant amounting to 20 percent of the cost of the investment, with the grant not to exceed 1,000,000,000 lire. Only companies located in certain parts of the Friuli-Venezia Giulia region are eligible to receive benefits under this program in accordance with article 87, paragraph 3, letter c of the EC Treaty.

17) Law 908/55 (Revolving Fund for Economic Initiatives) Loan

The GOI created the Fondo di Rotazione Iniziative Economiche (Rotational Fund for Economic Initiatives) (FRIE) through Law 908 of October 18, 1955 in order to promote economic initiatives within the territory of Trieste and the province of Gorizia in the Friuli-Venezia Giulia region. The fund provides reduced-interest loans for the construction, re-activation, transformation, modernization, improvement, and industrial development of industrial plants and handicraft companies in the above-noted areas. Companies who receive long-term, variable rate

loans under this program receive an interest rate equal to 50 percent of the 6-month Euro Interbank Offered Rate.

Recommendation

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

Agree _____ Disagree _____

David M. Spooner
Assistant Secretary
for Import Administration

Date