States, Slip. Op. 94–65 (Creswell Trading), the IPRS program must be examined in light of Item (d).

To conduct the analysis with respect to Item (d) of the Illustrative List, we examined whether the IPRS program involves a consistently applied calculation methodology for determining the difference between the higher domestic and lower international price of a product available to exporters and whether the pricing and other data used in this methodology are regularly updated to reflect accurately the price differential at the time of the purchase of the product.

We verified that India's IPRS program utilizes a clearly defined and consistently applied methodology for calculating the difference between the higher domestic and lower international price of seamless carbon steel pipe available to their exporters. We also verified that the price schedules for both domestic and international prices are updated periodically. Therefore, we determine that the basic terms and conditions of the provision of carbon steel pipe under the IPRS program are not "more favourable than those commercially available on world markets" to Indian exporters. However, we have also determined that the IPRS rebate is "excessive," because the government failed to include ocean freight in its calculation of the world market price.

Item (d) is concerned with the government's provision of goods to exporters on terms more favorable than those "commercially available on world markets to their exporters." Indian exporters who purchase seamless carbon steel pipe on the world market would necessarily also incur the cost of delivering the pipe to India. Therefore, the commercially available alternative is the price of seamless carbon steel pipe itself, from sources outside of India, plus a delivery charge to India.

The international prices used by the GOI in its calculations of IPRS rebates are stated in F.O.B. (port of origination) terms and, thus, do not reflect the delivery of foreign seamless carbon steel pipe to India. Consequently, we added delivery costs to the price of foreignsourced seamless carbon steel pipe and compared the delivered domestic price to a delivered world market price. On this basis, we determine that the IPRS rebates received by the Indian pipe fittings producers are excessive in the amount of the delivery charges necessary to transport carbon steel pipe to India. The excess amount is a countervailable subsidy because the rebate enabled the pipe fittings exporters to pay a lower price for carbon steel pipe than that commercially available on world markets.

To calculate Karmen's benefit, we divided the amount of ocean freight necessary to ship seamless carbon steel pipe to India by Karmen's total exports of pipe fittings. We did not include in the denominator the fees Karmen receives for refurbishing Singaporean pipe because refurbished pipe fittings are not eligible for the IPRS. On this basis, we determine the estimated net subsidy from this program to be 7.05 percent ad valorem for Karmen, 0.00 percent ad valorem for Sivanandha and 32.66 percent ad valorem for Tata.

B. Programs Determined not to Provide Benefits During the POI Advance Licenses and Advance Customs Clearance Permits ("ACCP's")

Under the GOI's Duty Exemption
Scheme, inputs used in the production
of exports may enter the country dutyfree. Two mechanisms under the Duty
Exemption Scheme are Advance
Licenses and Advance Custom
Clearance Permits ("ACCPs").
Sivanandha used Advance Licenses to
import seamless carbon steel pipes in
the POI. Advance Licenses permit the
importation of goods duty free provided
that the imports are used in the
production of merchandise
subsequently exported.

Karmen used ACCPs during the POI. ACCPs allow exporters to import merchandise duty free for the purpose of jobbing, restoration, reconditioning and other servicing, provided that such merchandise is re-exported. Karmen used its ACCPs to import the aforementioned pipe fittings from Singapore.

We consider the use of Advance Licenses and ACCP's to be the equivalent of a duty-drawback program (see Final Affirmative Countervailing Duty Determination: Steel Wire Rope from India, 56 FR 46292 (September 11, 1991)). Under § 355.44(i)(4)(1) of the Department's proposed regulations (see Countervailing Duties; Notice of Proposed Rulemaking and Request for Public Comments, 54 FR 23366 (May 31, 1989), the non-excessive drawback of import duties is not countervailable if the imported products are physically incorporated into exported products. According to the questionnaire responses and verification, the products imported under Advance Licenses are physically incorporated into pipe fittings which are subsequently reexported. The products imported under the ACCP's were refurbished and also re-exported. Therefore, we determine that Advance Licenses and ACCP's did

not provide a countervailable benefit in the POI.

C. Programs Determined To Be Not Used

We established at verification that the following programs were not used during the POI.

- A. Preferential Post-Shipment Financing
- B. Additional and Replenishment Licenses
- C. Market Development Assistance
- D. Export Promotion, Capital Goods Scheme
- E. Benefits for 100 Percent Export-Oriented Units
- F. Benefits Provided to Export Processing Zones

## **Interested Party Comments**

Comment 1: Karmen argues that it would be inappropriate to subtract the fees received for its refurbishing operations from the denominator but to leave the subsidies resulting from the refurbishing in the numerator. Karmen argues that the job-working fees received for the Singaporean transactions must be included in the denominator to calculate its subsidy rate. Karmen contends that the benefits from the two subsidies we preliminarily found countervailable, the 80HHC tax program and the pre-shipment export financing, resulted significantly from the transactions involving Singaporean pipe.

Petitioner argues that the transactions involving the refurbished pipe fittings do not constitute a sale for the purposes of this investigation. Furthermore, petitioner disagrees that the refurbished pipe fittings contributed to Karmen's benefits under either of the abovementioned programs.

DOC's Position: As noted above, we have determined that the benefits from the pre-shipment export financing and 80HHC programs cannot be tied solely to Karmen's export sales, exclusive of the income received for refurbishing Singaporean pipe. During verification, we were told by Karmen officials that they did not use pre-shipment export financing for shipments of refurbished pipe fittings, but based on our analysis of the information submitted regarding this program, there is no reason to believe that Karmen could not have used the financing for these shipments. We do not typically narrow our export subsidy denominator to less than total exports unless the benefits provided can be exclusively linked to a smaller subset of export sales. Therefore, consistent with our past practice, we divided the benefit amount by the value of Karmen's total exports, including the fees it received for refurbishing