

exported directly or indirectly to the United States for import duties paid on items that are physically incorporated into exported products. If the producers and exporters apply for tax certificates in excess of the items physically incorporated, the suspension agreement requires that the producers and exporters repay to the RTG, in an annual adjustment, the amount in which the tax certificates exceed the import duties on physically incorporated inputs.

Tax certificate applications are made on a shipment by shipment basis after the producer/exporter receives payment for its shipment. The application can include up to 10 shipments and must be submitted within one year of the shipment date. Exporters can apply for an extension if they do not meet the one year deadline.

The law governing this program is the "Tax and Duty Compensation of Exported Goods Produced in the Kingdom Act, B.E. 2524 (1981)." Effective January 1, 1992, new nominal rebate rates were established for all products by the Committee on Tax and Duty Rebates for Exported Goods Produced in the Kingdom. The new nominal rates applicable to signatories are categorized by the following sectors: spinning, weaving, made-up textile goods, and knitting. Because nominal rates are in excess of the physically incorporated inputs, the Department has calculated, and requested that the RTG implement non-excessive rates. See verification report dated September 15, 1994, and letter from Roland L. MacDonald to Arthur J. Lafave III dated November 15, 1994.

Thai Melon, Thai American, Thai Synthetic, and Thai Blanket have applied for tax certificates at nominal rates during the period of review (POR). The Department will require that these companies repay the RTG, in an annual adjustment, the amount in which the tax certificates exceed the import duties on physically incorporated inputs. See verification report dated June 1, 1995.

9. Export Packing Credits

Under Section II (a) of the suspension agreement, the producers and exporters are not to apply for, or receive, Export Packing Credits (EPCs) from the BOT that permit the rediscounting of promissory notes arising from shipments of subject merchandise to the United States.

EPCs are pre-shipment short-term loans available to exporters for a maximum of 180 days from the date of issuance. Under the EPC program, commercial banks issue loans based on promissory notes from creditworthy exporters. Such notes have to be

supported by an irrevocable letter of credit, a sales contract, a purchase order, or a warehouse receipt. The commercial bank will then resell 50% of the promissory note to the BOT at a lower interest rate. The maximum interest rate a commercial bank can charge the exporter is 10% per annum.

If an exporter does not fulfill the contract by the due date of the EPC, the BOT will automatically charge the commercial bank a penalty interest rate. The commercial bank will then pass this penalty onto the exporter. The penalty interest rate is 6.5% per annum calculated over the full term of the loan. However, penalties can be refunded if the exporter ships the merchandise within 60 days after the due date. If only a portion of the goods is shipped by the due date, the exporter receives a partial refund in proportion to the value of the goods shipped.

Based on our verification, we found that Thai Melon and Thai American did use this program for exports of certain yarns to the United States during the review period. See verification report dated June 1, 1995.

The Department has calculated a subsidy rate for EPCs received by Thai Melon and Thai American for this administrative review. We first computed the total benefit received on the export packing credits. We then calculated a company specific subsidy rate for Thai Melon and included Thai American in the company rate because it is a related party. Next, we weight-averaged the benefit rate received by the company by its share of total exports of subject merchandise to the United States. The net subsidy received on EPCs for this administrative review is 0.19%.

Preliminary Results of Review

As a result of our review, we preliminarily determine that for the period May 18, 1992 through December 31, 1993, the signatories were not in violation of the suspension agreement. Due to the unusual circumstances surrounding this case and the reinstatement of the suspension agreement, we do not consider the calculation of EPCs in this POR to constitute a violation of the agreement within the meaning of 19 CFR Section 355.19 (d)(1994). However, we note that Section II (a) of the suspension agreement prohibits participation by any signatory in the EPC program at noncommercial rates and terms for subject merchandise. Thus, in future reviews, the signatories shall follow Section II (a) of the suspension agreement or they will be found in violation of the agreement.

For those signatories who received tax certificates in excess of the import duties paid on items physically incorporated into exports of subject merchandise, we will require that they repay to the RTG, in an annual adjustment, any amount by which the tax certificates exceed the amount of import duties on physically incorporated inputs. The annual adjustment shall be calculated in accordance with Section II c(i)(ii) of the suspension agreement.

Parties to the proceeding may request disclosure of the calculation methodology and interested parties may request a hearing not later than 10 days after the date of publication of this notice.

Interested parties may submit written arguments in case briefs on these preliminary results within 30 days of the date of publication, in accordance with 19 CFR 355.38(c)(1994). Rebuttal briefs, limited to arguments raised in case briefs, may be submitted seven days after the time limit for filing the case brief, in accordance with 19 CFR 355.38(d)(1994). Any hearing, if requested, will be held seven days after the scheduled date for submission of rebuttal briefs (19 CFR 355.38(f)(1994)). Copies of case briefs and rebuttal briefs must be served on interested parties in accordance with 19 CFR 355.38(e)(1994). Representatives of parties to the proceeding may request disclosure of proprietary information under administrative protective order no later than 10 days after the representative's client or employer becomes a party to the proceeding, but in no event later than the date the case briefs, under 19 CFR 355.38(c)(1994), are due. The Department will publish the final results of this administrative review including the results of its analysis of issues raised in any case or rebuttal brief, or at a hearing.

This administrative review and notice are in accordance with section 751(a)(1) of the Tariff Act (19 U.S.C. 1675(a)(1)(1994)) and 19 CFR 355.22(1994).

Dated: July 26, 1995.

Susan G. Esserman,

Assistant Secretary for Import Administration.

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