



C-580-837  
Administrative Review  
New Shipper Review  
AR: 1/1/2014 - 12/31/2014  
**Public Document**  
E&C AD/CVD OIII: JSC, JL, SMB

March 4, 2016

**MEMORANDUM TO:** Paul Piquado  
Assistant Secretary  
for Enforcement and Compliance

**FROM:** Christian Marsh *CM*  
Deputy Assistant Secretary  
For Antidumping and Countervailing Duty Operations

**SUBJECT:** Decision Memorandum for Preliminary Results of 2014  
Countervailing Duty Administrative Review and New Shipper  
Review: Cut-to-Length Carbon-Quality Steel Plate from the  
Republic of Korea

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### Summary

In response to requests from interested parties, the Department of Commerce (the Department) is conducting an administrative review and new shipper review (NSR) of the countervailing duty (CVD) order on certain cut-to-length carbon-quality steel plate (CTL Plate) from the Republic of Korea (Korea) for the period of review (POR) January 1, 2014, through December 31, 2014. The Department preliminarily determines that Dongkuk Steel Mill Co., Ltd. (DSM), the firm subject to the administrative review, and Hyundai Steel Company Ltd., (Hyundai Steel), the firm subject to the NSR, each received a net subsidy rate that is *de minimis*, as provided under 19 CFR 351.106(c)(1).

If these preliminary results are adopted in our final results of review, we will instruct U.S. Customs and Border Protection (CBP) to liquidate without regard to CVDs on all appropriate entries of subject merchandise during the POR. Interested parties are invited to comment on these preliminary results. We intend to issue final results no later than 120 days from the date of publication of this notice, pursuant to section 751(a)(3)(A) of the Act.



## A. Background

On February 10, 2000, the Department published in the *Federal Register* the *CTL Plate Order*.<sup>1</sup> On February 2, 2015, the Department of Commerce (the Department) published a notice of opportunity to request an administrative review of the countervailing duty order on CTL Plate from Korea.<sup>2</sup>

On February 27, 2015, Hyundai Steel requested an NSR of its entries of CTL Plate from Korea made during the period of January 1, 2014, through December 31, 2014.<sup>3</sup> Concerning the administrative review, on February 28, 2015, we received a timely request from Nucor Corporation (hereinafter referred to as Petitioner) for a review of the *CTL Plate Order* as it applies to the following firms: BDP International, Daewoo International Corp., DSM, GS Global Corp., Hyundai Glovis, Hyundai Steel, Iljin Steel, Samsung C&T Corp., Samsung C&T Engineering & Construction Group, Samsung C&T Trading and Investment Group, Samsung Heavy Industry, and Steel N People.<sup>4</sup> On March 2, 2015, we received a timely request for administrative review from DSM and Hyundai Steel.<sup>5</sup> The Department initiated an administrative review on April 3, 2015.<sup>6</sup>

On April 14, 2015, in the context of the new shipper review, the Department issued the Government of Korea (GOK) and Hyundai Steel an initial questionnaire,<sup>7</sup> to which Hyundai submitted its affiliation response on April 30, 2015.<sup>8</sup>

On April 23, 2015, the Department aligned both the administrative review and the NSR at the request of Hyundai Steel.<sup>9</sup>

On May 5, 2015, the Department, in the context of the administrative review, released the results of a query performed on the trade database maintained by Customs and Border Protection (CBP), and provided interested parties until May 12, 2015, to submit comments on the CBP Query Memorandum.<sup>10</sup> On May 13, 2015, Petitioner submitted comments requesting that the Department seek additional CBP data pertaining to Hyundai Steel before selecting mandatory

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<sup>1</sup> See *Notice of Amended Final Determination: Certain Cut-to-Length Carbon-Quality Steel Plate From India and the Republic of Korea; and Notice of Countervailing Duty Orders: Certain Cut-to-Length Carbon-Quality Steel Plate from France, India, Indonesia, Italy, and the Republic of Korea*, 65 FR 6587 (February 10, 2000) (*CTL Plate Order*).

<sup>2</sup> See *Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity to Request Administrative Review*, 80 FR 5509 (February 2, 2015).

<sup>3</sup> See Hyundai Steel's February 27, 2015, letter to the Department.

<sup>4</sup> See Nucor's February 27, 2015, letter to the Department.

<sup>5</sup> See DSM's and Hyundai's March 2, 2015, letters to the Department.

<sup>6</sup> See *Initiation of Antidumping and Countervailing Duty Administrative Reviews and Request for Revocation in Part*, 80 FR 18202 (April 3, 2015) (*Initiation*).

<sup>7</sup> See the Department's April 14, 2015, Initial NSR Primary Questionnaire (Initial NSR Primary QNR).

<sup>8</sup> See Hyundai's April 30, 2015, Affiliation Questionnaire Response (Hyundai Affiliation QNR Response).

<sup>9</sup> See Hyundai Steel's letter to the Department, dated April 9, 2015; see also Memorandum to the File from Eric Greynolds, "Alignment of the New Shipper Review of Certain Cut-to-Length Carbon-Quality Steel Plate from Korea with the Administrative Review," dated April 23, 2015.

<sup>10</sup> See Memorandum to the File from Eric B. Greynolds, "Release of Query Results of Customs and Border Protection (CBP) Database" dated May 5, 2015.

respondents in the review. On May 14, 2015, Hyundai Steel rebutted Nucor's comments arguing that the Department's initiation of the NSR, which covers calendar year 2014, demonstrates that Hyundai Steel had shipments of subject merchandise during the period of the review, and, thus, qualifies for an administrative review. On May 20, 2015, the Department performed an additional query of the CBP trade database with respect to Hyundai Steel's shipments of subject merchandise during the POR.<sup>11</sup> On May 27, 2015; Petitioner argued that the Department should select DSM and Hyundai Steel as mandatory respondents in the administrative review. On June 16, 2015, the Department selected DSM as the mandatory respondent in the in administrative review and aligned the due dates of Hyundai's new shipper review with those of the administrative review.<sup>12</sup>

On June 18 and June 19, 2015, the GOK and Hyundai submitted their initial primary questionnaire responses in the new shipper review.<sup>13</sup> Additionally, on June 18, 2015, the Department issued the initial questionnaire to DSM and the GOK with respect to the administrative review.<sup>14</sup>

On July 1, 2015, DSM submitted its affiliation questionnaire response.<sup>15</sup>

On July 2, 2015, Nucor withdrew its request for eleven companies under review in a timely manner.<sup>16</sup> On July 7, 2015, the Department extended the due date of the preliminary results of the administrative review and new shipper review until March 1, 2016, which was tolled to March 4, 2016.<sup>17</sup>

On July 23, 2015, Petitioner submitted timely new subsidy allegations (NSA) with regard Hyundai Steel.<sup>18</sup>

On July 29, 2015, the Department published a notice of partial rescission.<sup>19</sup> Therefore, in accordance with 19 CFR 351.213(d)(1), we rescinded this review with respect to the following companies: BDP International, Daewoo International Corp., GS Global Corp., Hyundai Glovis,

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<sup>11</sup> See Memorandum from John Conniff to the File, "Customs and Border Protection Data for Selection of Respondents for Individual Review," dated May 19, 2015.

<sup>12</sup> See Memorandum to Erin Begnal, Director, Office III, "Respondent Selection," dated June 16, 2015.

<sup>13</sup> See the GOK's June 18, 2015, questionnaire response (GOK NSR Primary QNR Response); see Hyundai's June 19, 2015, questionnaire response (Hyundai Primary QNR Response).

<sup>14</sup> See June 18, 2015, Initial Questionnaire (Initial AR Primary QNR).

<sup>15</sup> See DSM's July 1, 2015, Affiliation Questionnaire Response (DSM Affiliation QNR Response).

<sup>16</sup> See Nucor's July 2, 2015, submission where it withdrew its request for the following companies: BOP International, Daewoo, GS Global, Hyundai Glovis, Hyundai Steel, Iljin Steel, Samsung C&T Corp., Samsung C&T Engineering, Samsung C&T Trading, Samsung HI, and Steel N People.

<sup>17</sup> See Memorandum to Christian Marsh, Deputy Assistant Secretary for Enforcement and Compliance, "Extension of Deadline for Preliminary Results of Countervailing Duty Administrative Review," dated October 23, 2015. The Department later extended the deadline of the preliminary results by four additional business days in order to account for Government closures that occurred as a result of inclement weather. See the Memorandum to the File from Ron Lorentzen, Acting Assistant Secretary for Enforcement and Compliance, "Tolling of Administrative Deadlines as a Result of the Government Closure during Snowstorm 'Jonas'," dated January 27, 2016.

<sup>18</sup> See Petitioner's July 22, 2015, submission, "Certain Cut-to-Length Carbon-Quality Steel Plate from South Korea: New Subsidy Allegation for Hyundai Steel" (NSA Submission for Hyundai).

<sup>19</sup> See *Certain Cut-to-Length Carbon Quality Steel Plate from the Republic of Korea: Partial Rescission of Countervailing Duty Administrative Review*; 2014 80 FR 45183 (July 29, 2015).

Iljin Steel, Samsung C&T Corp., Samsung C&T Engineering & Construction Group, Samsung C&T Trading and Investment Group, Samsung Heavy Industry, and Steel N People.<sup>20</sup>

On July 29, 2016, the Department issued a supplemental questionnaire to DSM,<sup>21</sup> to which it responded on August 12, 2015.<sup>22</sup> On July 30, 2015, DSM and the GOK submitted their initial primary questionnaire responses.<sup>23</sup>

On August 19, 2015, Petitioner timely submitted an NSA with regard to DSM.<sup>24</sup>

On September 14 and September 28, 2015, the Department, in the context of the administrative review, issued a supplemental questionnaire to the GOK and DSM, to which the GOK and DSM responded on September 24, 2015<sup>25</sup> and October 16, 2015,<sup>26</sup> respectively. On November 9, 2015, the Department, in the context of the administrative review, issued a supplemental questionnaire to the GOK, to which it responded on November 16, 2015.<sup>27</sup>

On December 16, 2015, the Department released its decisions regarding certain allegations contained in Petitioner's NSA submissions as it regards DSM and Hyundai.<sup>28</sup> On December 29, 2015, the Department issued NSA questionnaires to the GOK, DSM, and Hyundai regarding the NSA programs for which it had initiated an investigation. DSM, Hyundai, and the GOK submitted their NSA response on January 7, January 11, and January 7-19, 2016, respectively.<sup>29</sup>

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<sup>20</sup> *Id.*

<sup>21</sup> See the Department's July 29, 2015, supplemental affiliation questionnaire to DSM (DSM Affiliation Supplemental QNR).

<sup>22</sup> See DSM's August 12, 2015, supplemental affiliation questionnaire response (DSM Affiliation Supplemental QNR Response).

<sup>23</sup> See DSM's September 16, 2015, Initial Primary Questionnaire Response (DSM Primary QNR Response), see the GOK's September 16, 2015, Initial Administrative Review Questionnaire Response (GOK AR Primary QNR Response).

<sup>24</sup> See Petitioner's August 19, 2015, submission, "Certain Cut-to-Length Carbon-Quality Steel Plate from South Korea: New Subsidy Allegation for DSM" (NSA Submission for DSM).

<sup>25</sup> See the GOK's September 24, 2015, supplemental questionnaire response (GOK AR Supplemental QNR Response).

<sup>26</sup> See DSM's October 16, 2015, supplemental questionnaire response (DSM Supplemental QNR Response).

<sup>27</sup> See the GOK's November 16, 2015, supplemental questionnaire response (GOK 2<sup>nd</sup> AR Supplemental QNR Response).

<sup>28</sup> See Memorandum to Erin Begnal, Director, Office III, Operations, "New Subsidy Allegations Memorandum for Dongkuk Steel Mill Co., Ltd. and Hyundai Steel Co., Ltd.," dated December 16, 2015 (NSA Memorandum), which the Department placed on the records of the administrative review and NSR.

<sup>29</sup> See DSM's January 7, 2016, NSA questionnaire response (DSM NSA QNR Response), the GOK's January 7, 2016, administrative review NSA questionnaire response (GOK AR Part 1 NSA QNR Response), the GOK's January 14, 2016, NSA questionnaire response (GOK AR Part 2 NSA QNR Response), and the GOK's January 19, 2016, NSA questionnaire response (GOK AR Part 3 NSA QNR Response), Hyundai's January 11, 2016, NSA questionnaire response (Hyundai's NSA QNR Response), the GOK's January 7, 2016, NSR NSA questionnaire response (GOK NSR Part 1 NSA QNR Response), the GOK's January 14, 2016, NSA questionnaire response (GOK NSR Part 2 NSA QNR Response), and the GOK's January 19, 2016, NSA questionnaire response (GOK NSR Part 3 NSA QNR Response).

From January 30, 2016, to February 5, 2016, the Department conducted verification of the questionnaire responses submitted by the GOK, DSM, and Hyundai.<sup>30</sup>

## **B. Scope of the Order**

The products covered by the order are certain hot-rolled carbon-quality steel: (1) universal mill plates (*i.e.*, flat-rolled products rolled on four faces or in a closed box pass, of a width exceeding 150 mm but not exceeding 1250 mm, and of a nominal or actual thickness of not less than 4 mm, which are cut-to-length (not in coils) and without patterns in relief), of iron or non-alloy-quality steel; and (2) flat-rolled products, hot-rolled, of a nominal or actual thickness of 4.75 mm or more and of a width which exceeds 150 mm and measures at least twice the thickness, and which are cut-to-length (not in coils). Steel products to be included in the scope of the order are of rectangular, square, circular or other shape and of rectangular or non-rectangular cross-section where such non-rectangular cross-section is achieved subsequent to the rolling process (*i.e.*, products which have been “worked after rolling”)--for example, products which have been beveled or rounded at the edges. Steel products that meet the noted physical characteristics that are painted, varnished or coated with plastic or other non-metallic substances are included within this scope. Also, specifically included in the scope of the order is high strength, low alloy (HSLA) steels. HSLA steels are recognized as steels with micro-alloying levels of elements such as chromium, copper, niobium, titanium, vanadium, and molybdenum. Steel products to be included in this scope, regardless of Harmonized Tariff Schedule of the United States (HTSUS) definitions, are products in which: (1) iron predominates, by weight, over each of the other contained elements; (2) the carbon content is two percent or less, by weight; and (3) none of the elements listed below is equal to or exceeds the quantity, by weight, respectively indicated: 1.80 percent of manganese, or 1.50 percent of silicon, or 1.00 percent of copper, or 0.50 percent of aluminum, or 1.25 percent of chromium, or 0.30 percent of cobalt, or 0.40 percent of lead, or 1.25 percent of nickel, or 0.30 percent of tungsten, or 0.10 percent of molybdenum, or 0.10 percent of niobium, or 0.41 percent of titanium, or 0.15 percent of vanadium, or 0.15 percent zirconium. All products that meet the written physical description, and in which the chemistry quantities do not equal or exceed any one of the levels listed above, are within the scope of this order unless otherwise specifically excluded. The following products are specifically excluded from the order: (1) products clad, plated, or coated with metal, whether or not painted, varnished or coated with plastic or other non-metallic substances; (2) SAE grades (formerly AISI grades) of series 2300 and above; (3) products made to ASTM A710 and A736 or their proprietary equivalents; (4) abrasion-resistant steels (*i.e.*, USS AR 400, USS AR 500); (5) products made to ASTM A202, A225, A514 grade S, A517 grade S, or their proprietary equivalents; (6) ball bearing steels; (7) tool steels; and (8) silicon manganese steel or silicon electric steel.

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<sup>30</sup> See Memorandum to Eric B. Greynolds, Program Manager, AD/CVD Operations, Office III, from John Conniff, Senior International Trade Analyst, Jolanta Lawska, Senior International Trade Analyst and Samuel Brummitt, International Trade Analyst, “Verification of Information Submitted by the GOK,” dated March 1, 2016, (GOK’s Verification Report) ; Memorandum to Eric B. Greynolds, Program Manager, AD/CVD Operations, Office III, from John Conniff, Senior International Trade Analyst, Jolanta Lawska, Senior International Trade Analyst and Samuel Brummitt, “Verification of the Questionnaire Responses Submitted by Hyundai Steel Company Ltd.,” dated March 1, 2016, (Hyundai Steel’s Verification Report); and Memorandum to Eric B. Greynolds, Program Manager, AD/CVD Operations, Office III, from John Conniff, Senior International Trade Analyst, Jolanta Lawska, Senior International Trade Analyst and Samuel Brummitt, “Verification of the Questionnaire Responses Submitted by Dongkuk Steel Mill Co., Ltd.,” dated March 1, 2016, (DSM Verification Report).

The merchandise subject to the order is currently classifiable in the HTSUS under subheadings: 7208.40.3030, 7208.40.3060, 7208.51.0030, 7208.51.0045, 7208.51.0060, 7208.52.0000, 7208.53.0000, 7208.90.0000, 7210.70.3000, 7210.90.9000, 7211.13.0000, 7211.14.0030, 7211.14.0045, 7211.90.0000, 7212.40.1000, 7212.40.5000, 7212.50.0000, 7225.40.3050, 7225.40.7000, 7225.50.6000, 7225.99.0090, 7226.91.5000, 7226.91.7000, 7226.91.8000, 7226.99.0000.

Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the merchandise covered by the order is dispositive.

### **C. Subsidies Valuation Information**

#### **Allocation Period**

For non-recurring subsidies, we applied the “0.5 percent test,” as described in 19 CFR 351.524(b)(2). Under this test, we divide the amount of subsidies approved under a given program in a particular year by the relevant sales value (*e.g.*, total sales or export sales) for the same year. If the amount of the subsidies is less than 0.5 percent of the relevant sales value, then the benefits are allocated to the year of receipt rather than across the average useful life (AUL). In the instant review, we did not allocate any benefits over the AUL of a subsidy or grant.

#### **Attribution of Subsidies**

The Department’s regulations at 19 CFR 351.525(b)(6)(i) state that the Department will normally attribute a subsidy to the products produced by the corporation that received the subsidy. However, 19 CFR 351.525(b)(6)(ii)-(v) provides that the Department will attribute subsidies received by certain other companies to the combined sales of those companies when: (1) two or more corporations with cross-ownership produce the subject merchandise; (2) a firm that received a subsidy is a holding or parent company of the subject company; (3) there is cross-ownership between an input supplier and a downstream producer and production of the input is primarily dedicated to the production of the downstream product; or (4) a corporation producing non-subject merchandise received a subsidy and transferred the subsidy to a corporation with cross-ownership with the subject company.

According to 19 CFR 351.525(b)(6)(vi), 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 regulation states that this standard will normally be met where there is a majority voting interest between two corporations or through common ownership of two (or more) corporations. The Court of International Trade (CIT) upheld the Department’s authority to attribute subsidies based on whether a company could use or direct the subsidy benefits of another company in essentially the same way it could use its own subsidy benefits.<sup>31</sup>

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<sup>31</sup> See *Fabrique de Fer de Charleroi v. United States*, 166 F. Supp. 2d 593, 600-604 (CIT 2001) (*Fabrique*).

DSM reported that during the POR none of its affiliates produced subject merchandise and that DSM is not a subsidiary of any company and, thus, it has no parent company or holding company. Accordingly, DSM responded to the Initial Questionnaire only with regard to DSM. Therefore, pursuant to 19 CFR 351.525(b)(6)(ii), we attributed subsidies received by DSM to the sales of DSM.

Hyundai Steel reported that during the POR none of its affiliates produced subject merchandise and that Hyundai Steel is not a subsidiary of any company and, thus, it has no parent company or holding company. Accordingly, Hyundai Steel responded to the Initial Questionnaire only with regard to Hyundai Steel. Therefore, pursuant to 19 CFR 351.525(b)(6)(ii), we attributed subsidies received by Hyundai Steel to the sales of Hyundai Steel.

#### *Benchmarks for Short-Term Financing*

For those programs requiring the application of a won-denominated, short-term interest rate benchmark, in accordance with 19 CFR 351.505(a)(2)(iv), we used as our benchmark the company-specific weighted-average interest rate for commercial won-denominated loans outstanding during the POR. This approach is in accordance with 19 CFR 351.505(a)(3)(i) and the Department's practice.<sup>32</sup>

#### *Benchmarks for Long-Term Loans and Discount Rates*

During the POR, DSM had outstanding countervailable long-term won-denominated loans from a government-owned bank.<sup>33</sup>

As benchmarks for countervailable, won-denominated long-term loans and as discount rates, we use, where available, the company-specific interest rates on the company's comparable commercial, won-denominated loans. If such loans were not available, we use, where available, the company-specific corporate bond rate on the company's public and private bonds, as we have determined that the GOK did not control the Korean domestic bond market after 1991.<sup>34</sup> The use of a corporate bond rate as a long-term benchmark interest rate and a discount rate is consistent with the approach the Department has taken in several prior Korean CVD proceedings.<sup>35</sup> Specifically, in those cases, we determined that, absent company-specific, commercial long-term loan interest rates, the won-denominated corporate bond rate is the best indicator of the commercial long-term borrowing rates for won-denominated loans in Korea

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<sup>32</sup> See, e.g., *Corrosion-Resistant Carbon Steel Flat Products from the Republic of Korea: Final Results of Countervailing Duty Administrative Review*, 74 FR 2512 (January 15, 2009) ("Final Results of CORE from Korea 2006"), and accompanying Issues and Decision Memorandum ("IDM") at "Benchmarks for Short-Term Financing."

<sup>33</sup> See DSM's QR at 11-12.

<sup>34</sup> See, e.g., *Final Negative Countervailing Duty Determination: Stainless Steel Plate in Coils from the Republic of Korea*, 64 FR 15530, 15531 (March 31, 1999) and "Analysis Memorandum on the Korean Domestic Bond Market" (March 9, 1999).

<sup>35</sup> *Id.*; see also *Final Affirmative Countervailing Duty Determination: Structural Steel Beams from the Republic of Korea*, 65 FR 41051 (July 3, 2000), and accompanying IDM at "Benchmark Interest Rates and Discount Rates;" and *Final Affirmative Countervailing Duty Determination: Dynamic Random Access Memory Semiconductors from the Republic of Korea*, 68 FR 37122 (June 23, 2003), and accompanying IDM at "Discount Rates and Benchmark for Loans."

because it is widely accepted as the market rate in Korea.<sup>36</sup> Where company-specific rates were not available, we used the national average of the yields on three -year, won-denominated corporate bonds, as reported by the Bank of Korea (“BOK”). This approach is consistent with 19 CFR 351.505(a)(3)(ii) and our practice.<sup>37</sup> In accordance with 19 CFR 351.505(a)(2)(i), our benchmarks take into consideration the structure of the government-provided loans. For countervailable fixed-rate loans, pursuant to 19 CFR 351.505(a)(2)(iii), we used benchmark rates issued in the same year that the government loans were issued.

### Denominators

When selecting an appropriate denominator for use in calculating the *ad valorem* subsidy rate, the Department considers the basis for the respondent’s receipt of benefits under each program. As discussed in further detail below, we determine that only one program, used by Hyundai Steel, was tied to export performance. Therefore, for the program tied to export performance we use total export sales as the denominator for our calculation. For all other calculations, because they were not tied to export performance, we used total sales as the denominator for our rate calculations for both Hyundai Steel and DSM.

## **D. Analysis of Programs**

Based on our analysis and the responses to our questionnaires, we preliminarily determine the following:

### **1. Program Preliminarily Determined to be Countervailable**

#### **a. Local Tax Exemption on Land Outside Metropolitan Areas**

Under Article 45 of the Industrial Sites and Development Act, a state or local government may provide tax exemptions as prescribed by the Restriction of Special Location Taxation Act (RSLTA).<sup>38</sup> In accordance with this authority, Article 78 of the RSLTA provides that any entity acquiring real estate in a designated industrial complex for the purpose of constructing new buildings or renovating existing ones shall be exempted from the acquisition tax.<sup>39</sup> In addition, the entity located in these designated industrial complexes shall have the property tax reduced by 50 percent on the real estate for five years from the date the tax liability becomes effective. The tax exemption is increased to 100 percent of the relevant land, buildings, or facilities that are located in an industrial complex outside of the Seoul metropolitan area. The GOK administers the tax exemption program under Article 78 of the RSLTA to provide incentives for companies to relocate from populated areas in the Seoul metropolitan region to industrial sites in less populated parts of the country.<sup>40</sup> The program is administered by the local tax officials of the county where the industrial complex is located.

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<sup>36</sup> See *Final Affirmative Countervailing Duty Determinations and Final Negative Critical Circumstances Determinations: Certain Steel Products from Korea*, 58 FR at 37328, 37345-37346 (July 9, 1993).

<sup>37</sup> See, e.g., *Final Results of CORE from Korea 2006*, and accompanying IDM at “Benchmark for Long Term Loans.”

<sup>38</sup> See the GOK AR Primary QNR Response at 5.

<sup>39</sup> *Id.* at Exhibit GIR-2; see also GOK AR Supplemental QNR Response at Exhibit GSQ1R-2.

<sup>40</sup> See the GOK’s July 30, 2015, Questionnaire Response (QR) at 2.



During the POR, pursuant to Article 78 of the RSLTA, DSM and Hyundai Steel received exemptions from the acquisition tax, registration tax, and property tax from the Dangjin City and Pohang City tax authorities based on the location of its manufacturing facilities.<sup>41</sup>

We preliminarily determine that the tax reductions constitute a financial contribution in the form of revenue forgone, as described under section 771(5)(D)(ii) of the Act, and confer a benefit pursuant to section 771(5)(E) of the Act, and 19 CFR 351.509(a). We further preliminarily determine that the tax exemptions provided under this program are specific under section 771(5A)(D)(iv) of the Act because benefits are limited to enterprises located within designated geographical regions. Our findings in this regard are consistent with the Department's practice.<sup>42</sup>

To calculate the benefit, we subtracted the amount of taxes paid by the firms from the amounts that would have been paid absent the program. To calculate the net subsidy rate, we divided the total benefit by the total sales of the company. On this basis, we determine the net subsidy rate under this program during the POR to be 0.01 percent *ad valorem* for DSM and 0.23 percent *ad valorem* for Hyundai Steel.

## **2. Programs Preliminarily Determined Not to Confer a Measurable Benefit**

### **a. Electricity Discounts Under Various KEPCO Programs**

DSM and Hyundai Steel used the following GOK electricity programs during the POR:

- Demand Adjustment Program of Designated Period (PDP) (former Demand Adjustment Program of Designated Period) (VRA)
- Demand Adjustment Program of Emergent Reduction (ER) (former Emergency Road Reduction) (ELR)
- Demand Adjustment Program of General Management (GM) former: Demand Adjustment Program of Advance Notice (former VCR)
- Bid for Demand Program (BD)

We find no evidence on the record indicating that subsidies under these programs are tied to export sales. Therefore, we used the total sales of DSM and Hyundai when determining whether these programs conferred a countervailable benefit during the POR. Accordingly, we preliminarily determine the net subsidy rate (*i.e.*, electrical payments received from the GOK) that DSM and Hyundai Steel received under these programs, when analyzed separately because each of the programs has separate criteria and is recurring, is less than 0.005 percent *ad valorem* during the POR. Therefore, consistent with the Department's practice, we preliminarily

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<sup>41</sup> See DSM Primary QNR Response at Exhibit C-7 (Restriction of Special Local Tax Act (RSLTA), Article 78) and Hyundai's Primary QNR Response at 19 for the Acquisition and Property Taxes and Exhibit C-8 (RSLTA, for the acquisitions and property law) and 25 and 26 for a narrative of RSTA Article 120 and Exhibit V-7.

<sup>42</sup> See, *e.g.*, *Coated Free Sheet Paper from the Republic of Korea: Notice of Final Affirmative Countervailing Duty Determination*, 72 FR 60639 (October 25, 2007) (*CFS from Korea*) and accompanying IDM at "Reduction in Taxes for Operation in Regional and National Industrial Complexes" and *Final Results of CORE from Korea 2010* and accompanying IDM at "Reduction in Taxes for Operation in Regional and National Industrial Complexes."

determine that this program did not confer a numerically significant benefit to DSM and Hyundai Steel during the POR.<sup>43</sup>

**b. Various Research and Development (R&D) Grants Provided Under the Industrial Technology Innovation Promotion Act**

During the POR, DSM and Hyundai received various R&D grants pursuant to the Industrial Technology Innovation Promotion Act. The names of the R&D projects are business proprietary and, thus, cannot be disclosed in this decision memorandum. For a listing of the various R&D projects for which DSM and Hyundai received grants, see the corresponding memoranda to the file.<sup>44</sup>

We find no evidence on the record indicating that subsidies under these programs are tied to export sales. Therefore, we used the total sales of DSM and Hyundai when determining whether these programs conferred a countervailable benefit during the POR. Accordingly, we preliminarily determine the net subsidy rates that DSM and Hyundai Steel received under these programs during the POR, when analyzed separately, is less than 0.005 percent. Therefore, consistent with the Department's practice, we preliminarily determine that these R&D programs did not confer a numerically significant benefit to DSM and Hyundai Steel during the POR.

Additionally, Hyundai Steel received two other grants, Ministry of Employment and Labor (MOEL) grants and benefits received in connection with the purchase of electric automobiles. We find no evidence on the record indicating that subsidies under these programs are tied to export sales. Accordingly, we preliminarily determine the net subsidy rates that Hyundai Steel received under these respective programs are less than 0.005 percent.<sup>45</sup> Therefore, consistent with the Department's practice, we preliminarily determine that these two additional programs did not confer a numerically significant benefit to Hyundai Steel during the POR.

**c. GOK Directed Credit: 1992-2001 Directed Credit**

During the POR DSM was the only company that had an outstanding loan for this program which was a loan received from the Korea Housing Bank in 1995 to provide rental housing to employees and which is now held by Kookmin Bank (following a merger with the Korea Housing Bank).<sup>46</sup>

To determine whether this loan conferred a benefit upon DSM during the POR, we compared the amount of interest paid during the POR to the amount of interest that would have been paid on a comparable commercial loan.<sup>47</sup> DSM deferred to the Department's of using three-year corporate

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<sup>43</sup> See Memorandum from Samuel Brummitt to the File, "Preliminary Calculations for Dongkuk Steel Mill Co., Ltd.," dated March 4, 2016 (DSM Calc Memo); Memorandum from Samuel Brummitt to the File, "Preliminary Calculations for Hyundai Steel Co., Ltd.," dated March 4, 2016 (Hyundai Steel Calc Memo).

<sup>44</sup> See Memorandum from John Conniff to the File regarding Hyundai Steel Grants, dated March 1, 2016, and Memorandum from Samuel Brummitt to the File, regarding Dongkuk Steel Mill Co., Ltd. Grants, dated March 1, 2016.

<sup>45</sup> See DSM Calc Memo and Hyundai Steel Calc Memo.

<sup>46</sup> See DSM's QR at Exhibit 13, Note 14 (page 34).

<sup>47</sup> See 19 CFR 351.505(a).

bond yields from the Bank of Korea as a benchmark for their single from Kookmin Bank during the POR.<sup>48</sup> Therefore, we used as our loan benchmark, the national average yield on three-year corporate bonds, as described in the “Loan Benchmarks and Interest Rates” section above.<sup>49</sup> Next, we divided the benefit by DSM’s total sales for the POR. On this basis, we preliminarily determine the net subsidy rate under the direction of credit program to be less than 0.005 percent *ad valorem* for DSM.<sup>50</sup> Therefore, consistent with the Department’s practice, we preliminarily determine that this loan did not result in a numerically significant benefit to DSM during the POR.

d. **KEXIM Import Financing**

Hyundai Steel reported receiving short-term financing from the Korean Export-Import Bank (KEXIM) during the POI.<sup>51</sup> Hyundai Steel provided information about short-term loans from commercial banks for consideration as comparable commercial loans for purposes of identifying an interest rate benchmark.<sup>52</sup> In accordance with 19 CFR 350.505(a)(2), we preliminarily determine that certain loans submitted by Hyundai Steel constitute comparable commercial loans that are appropriate for as the weighted-average benchmark interest rate.<sup>53</sup>

To calculate a benefit under this program, we compared the amount of interest that Hyundai Steel paid on the KEXIM loans during the POR to the amount they would have paid under the benchmark interest rate described above. We then divided Hyundai Steel’s calculated benefit by its total export sales because the loans are contingent upon exports.<sup>54</sup> On this basis, we preliminarily determine the subsidy rate under the direction of credit program to be less than 0.005 percent *ad valorem* for Hyundai Steel.<sup>55</sup> Therefore, consistent with the Department’s practice, we preliminarily determine that loans did not result in a numerically significant benefit to DSM during the POR.

3. **Additional Programs Preliminarily Determined To Be Not Used During the POR**

DSM reported non-use of the following programs:

- GOK Pre-1992 Directed Credit Program
- GOK Infrastructure Investment at Incheon North Harbor
- Tax Program Under the Restriction of Special Taxation Act (RSTA) and/ or the Tax Reduction and Exemption Control Act (TERCL) -Asset Revaluation (TERCL 56(2)
- Reserve for Investment (Special Case of Tax for Balanced Development Among Areas) RSTA Article 58) (TERCL Articles 42, 43, 44, and 45)

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<sup>48</sup> See DSM’s QR at Exhibit A-2 for benchmark loan information.

<sup>49</sup> See, e.g., *Certain Cut to-Length Carbon-Quality Steel Plate from the Republic of Korea: Notice of Preliminary Results and Preliminary Partial Rescission of Countervailing Duty Administrative Review*, 72 FR at 65299-65300 (November 20, 2007) (2006 Preliminary Results), unchanged in Final Results, 73 FR 14770 (March 19, 2008).

<sup>50</sup> See DSM Calc Memo.

<sup>51</sup> See Hyundai Steel NSA QR at 6 and Exhibit VE-12.

<sup>52</sup> *Id.*, at Exhibit VE-12.

<sup>53</sup> See Hyundai Steel Calc Memo.

<sup>54</sup> See Hyundai Steel NSA QR at 6 and Exhibit VE-12.

<sup>55</sup> *Id.*

- Price Discounts for DSM Land Purchase at Asan Bay
- Exemption of VAT on Imports of Anthracite Coal
- Provision of Land for Less than Adequate Remuneration in the Godae Complex
- Lease Discounts Provided to Companies Operating in Free Economic Zones
- Tax Reductions Granted to Companies Operating in the Godae Complex
- Tax Subsidies Provided to Companies Operating in Free Economic Zones
- Government Grants and Financial Support to Companies Operating in Free Economic Zones
- Electricity Discount under the Power Business Law Program
- Provision of Liquefied Natural Gas (LNG) from (LTAR)


Hyundai Steel reported non-use of the following programs:

- GOK Pre-1992 Directed Credit Program
- GOK Infrastructure Investment at Incheon North Harbor
- Tax Program Under the Restriction of Special Taxation Act (RSTA) and/ or the Tax Reduction and Exemption Control Act (TERCL) -Asset Revaluation (TERCL 56(2)
- Reserve for Investment (Special Case of Tax for Balanced Development Among Areas) RSTA Article 58) (TERCL Articles 42, 43, 44, and 45)
- Price Discounts for DSM Land Purchase at Asan Bay
- Exemption of VAT on Imports of Anthracite Coal
- Provision of Land for Less than Adequate Remuneration in the Godae Complex
- Lease Discounts Provided to Companies Operating in Free Economic Zones
- Tax Reductions Granted to Companies Operating in the Godae Complex
- Tax Subsidies Provided to Companies Operating in Free Economic Zones
- Government Grants and Financial Support to Companies Operating in Free Economic Zones
- Electricity Discount under the Power Business Law Program
- Provision of Liquefied Natural Gas (LNG) for Less than Adequate Remuneration (LTAR)

## Recommendation

Based on our analysis, we recommend adopting the above positions. If this recommendation is accepted, we will publish the preliminary results of this review in the *Federal Register*.

Agree ☒ Disagree ☐

  
\_\_\_\_\_  
Paul Piquado  
Assistant Secretary  
for Enforcement and Compliance

4 MARCH 2016  
\_\_\_\_\_  
Date