



C-580-882
Administrative Review
01/01/2017 – 12/31/2017
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November 1, 2019

MEMORANDUM TO: Jeffrey I. Kessler
Assistant Secretary
for Enforcement and Compliance

FROM: James Maeder
Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations

SUBJECT: Decision Memorandum for the Preliminary Results of the
Countervailing Duty Administrative Review; 2017: Certain Cold-
Rolled Steel Flat Products from the Republic of Korea

I. SUMMARY

The Department of Commerce (Commerce) is conducting an administrative review of the countervailing duty (CVD) order on certain cold-rolled steel flat products (cold-rolled steel) from the Republic of Korea (Korea) for the period of review (POR) January 1, 2017 through December 31, 2017. This review covers 13 producers/exporters of subject merchandise. Commerce selected Hyundai Steel Co., Ltd. (Hyundai Steel) and POSCO as mandatory respondents. We preliminarily determine that POSCO received countervailable subsidies that are above *de minimis* and that Hyundai Steel received countervailable subsidies that are *de minimis*.

II. BACKGROUND

On September 20, 2016, Commerce published the *Order* in the *Federal Register*.¹ On September 11, 2018, Commerce published a notice of opportunity to request an administrative review of the *Order*.² On October 1, 2018, the petitioners in the underlying CVD investigation³

¹ See *Certain Cold-Rolled Steel Flat Products from Brazil, India, and the Republic of Korea: Amended Final Affirmative Countervailing Duty Determination and Countervailing Duty Order (the Republic of Korea) and Countervailing Duty Orders (Brazil and India)*, 81 FR 64436 (September 20, 2016) (*Order*).

² See *Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity to Request Administrative Review*, 83 FR 45888 (September 11, 2018).

³ The petitioners in the underlying CVD investigation include: AK Steel Corporation, ArcelorMittal USA LLC, Nucor Corporation (Nucor), Steel Dynamics, Inc., and United States Steel Corporation (U.S. Steel), (collectively, the petitioners).

requested a review of the following 13 producers and/or exporters of subject merchandise: Dongbu Steel Co., Ltd.; Dongbu Incheon Steel Co., Ltd. (collectively, Dongbu); Dongkuk Steel Mill Co., Ltd.; Dongkuk Industries Co., Ltd.; Euro Line Global Co., Ltd.; Hanawell Co., Ltd.; Hankum Co., Ltd.; Hyuk San Profile Co., Ltd.; Hyundai Steel; Nauri Logistics Co., Ltd.; POSCO; Taihan Electric Wire Co., Ltd.; and Union Steel Co., Ltd.⁴

Between September 21 and October 1, 2018, Dongbu, Hyundai Steel, and POSCO, foreign producers or exporters of subject merchandise, each requested a review of the *Order*.⁵

On November 15, 2018, Commerce initiated an administrative review of the *Order* for the period January 1, 2017 through December 31, 2017.⁶ In the “Respondent Selection” section of the *Initiation Notice*, Commerce stated that, if necessary, it intended to select respondents based on U.S. Customs and Border Protection (CBP) data for entries of certain cold-rolled steel from Korea made during the POR.⁷ Accordingly, on November 30, 2018, Commerce released the CBP data to all interested parties under an administrative protective order, and requested comments regarding the data and respondent selection.⁸ We did not receive any interested party comments regarding respondent selection.

On February 21, 2019, Commerce selected Hyundai Steel and POSCO as the mandatory respondents in the administrative review.⁹

On February 27, 2019, Commerce issued the initial questionnaire to the Government of Korea (GOK), Hyundai Steel, and POSCO.¹⁰ Both Hyundai Steel and POSCO submitted their affiliation questionnaire responses on March 25, 2019.¹¹ Between April 12 and April 16, 2019, Hyundai Steel and POSCO submitted their responses to Section III of Commerce’s February 27, 2019 Initial Questionnaire.¹² On April 17, 2019, the GOK submitted its response to Commerce’s

⁴ See Petitioners’ Letter, “Certain Cold-Rolled Steel Flat Products from the Republic of Korea: Request for Administrative Review,” dated October 1, 2018.

⁵ See POSCO’s Letter, “Cold-Rolled Steel Flat Products from the Republic of Korea: Administrative Review Request,” dated September 21, 2018; see also Hyundai Steel’s Letter, “Certain Cold-Rolled Steel Flat Products from the Republic of Korea, Case No. C-580-882: Request for Administrative Review,” dated October 1, 2018; and Dongbu’s Letter, “Certain Cold-Rolled Steel Flat Products from the Republic of Korea, Case No. C-580-882: Request for Administrative Review,” dated October 1, 2018.

⁶ See *Initiation of Antidumping and Countervailing Duty Administrative Reviews*, 83 FR 57411, 57418 (November 15, 2018) (*Initiation Notice*).

⁷ See *Initiation Notice*, 83 FR at 57411.

⁸ See Memorandum, “Certain Cold-Rolled Steel Flat Products from the Republic of Korea; 2017: Release of U.S. Customs and Border Protection Import Data,” dated November 30, 2018.

⁹ See Memorandum, “Countervailing Duty Administrative Review of Certain Cold-Rolled Steel Flat Products from the Republic of Korea: Selection of Respondents for Individual Examination,” dated February 21, 2019.

¹⁰ See Commerce’s Letter, “Countervailing Duty Questionnaire,” dated February 27, 2019.

¹¹ See Hyundai Steel’s March 25, 2019 Affiliation Questionnaire Response (Hyundai Steel Affiliation QR); and POSCO March 25, 2019 Affiliation Response (POSCO Affiliation QR).

¹² See Hyundai Steel’s April 12, 2019 Section III Initial Questionnaire Response (Hyundai Steel Initial QR); POSCO’s and POS-Himetal’s April 15, 2019 Section III Initial Questionnaire Response (POSCO Initial QR); POSCO Chemtech’s April 15, 2019 Section III Initial Questionnaire Response (POSCO Chemtech Initial QR); POSCO P&S’s, POSCO AST’s, POSCO TMC’s, and SPFC’s April 15, 2019 Section III Initial Questionnaire Response (POSCO P&S Initial QR); PDC’s April 15, 2019 Section III Initial Questionnaire Response (PDC Initial

Initial Questionnaire.¹³ Between April 12 and September 13, 2019, Commerce issued supplemental questionnaires to Hyundai Steel, POSCO, and the GOK, and received timely responses.

On May 7, 2019, the petitioners submitted a timely upstream subsidy allegation that Korean cold-rolled steel producers benefitted from upstream subsidies in the form of subsidized electricity during the POR.¹⁴ On May 20, 2019, the GOK and Hyundai Steel commented on this allegation.¹⁵ On May 31, 2019, U.S. Steel submitted rebuttal comments to the GOK and Hyundai Steel's May 20, 2019 comments.¹⁶ On September 10, 2019, Commerce initiated an investigation of this upstream subsidy allegation and issued questionnaires to Hyundai Steel, POSCO, and the GOK,¹⁷ to which we received responses.¹⁸ Due to the complex nature of the allegation, and because our analysis is ongoing, we have not yet made a preliminary finding on whether a countervailable upstream subsidy exists. We intend to issue our post-preliminary analysis subsequent to these preliminary results.

Also, on May 7, 2019, Nucor submitted timely new subsidy allegations (NSAs) with regard to Hyundai Steel and POSCO.¹⁹ On May 20, 2019, Hyundai Steel submitted comments in response to the NSA Submission.²⁰ On August 15, 2019, Commerce released its decision memorandum

QR); POSCO M-Tech's, Ricco Metal's, and Nine-Digit's April 16, 2019 Section III Initial Questionnaire Response (POSCO M-Tech Initial QR); PNR's April 16, 2019 Section III Initial Questionnaire Response (PNR Initial QR); Pohang SRDC's April 16, 2019 Section III Initial Questionnaire Response (Pohang SRDC Initial QR).

¹³ See the GOK's April 17, 2018 Initial Questionnaire Response (GOK Initial QR).

¹⁴ See Petitioners' Letter, "Certain Cold-Rolled Steel Flat Products from the Republic of Korea: Petitioners' Allegation of Upstream Subsidies to Korean Steel Producers," dated May 7, 2019.

¹⁵ See GOK's Letter, "Certain Cold-Rolled Steel Products from the Republic of Korea: Response to Petitioners' Upstream Subsidy Allegation," dated May 20, 2019; *see also* Hyundai Steel's Letter, "Certain Cold-Rolled Steel Flat Products from the Republic of Korea, Case No. C-580-882: Response to Petitioners' Upstream Subsidy Allegation," dated May 20, 2019.

¹⁶ See U.S. Steel's Letter, "Cold-Rolled Steel Flat Products from the Republic of Korea: U. S. Steel's Rebuttal Comments to Comments on Petitioners' Upstream Subsidy Allegation by the Government of Korea and Hyundai Steel," dated May 31, 2019.

¹⁷ See Memorandum, "Administrative Review of the Countervailing Duty of Certain Cold-Rolled Steel Flat Products from the Republic of Korea: Upstream Subsidy Allegation," dated September 10, 2019; *see also* Commerce's Letters, "Countervailing Duty Administrative Review of Certain Cold-Rolled Steel Flat Products from the Republic of Korea: Upstream Subsidy Questionnaire for Hyundai Steel," dated September 12, 2019; "Countervailing Duty Administrative Review of Certain Cold-Rolled Steel Flat Products from the Republic of Korea: Upstream Subsidy Questionnaire for POSCO," dated September 12, 2019; and "Countervailing Duty Administrative Review of Certain Cold-Rolled Steel Flat Products from the Republic of Korea: Upstream Subsidy Questionnaire for the Government of the Republic of Korea," dated September 12, 2019.

¹⁸ See Hyundai Steel's Letter, "Certain Cold-Rolled Steel Flat Products from the Republic of Korea, Case No. C-580-882: Hyundai Steel's Upstream Subsidy Questionnaire Response," dated September 19, 2019; *see also* POSCO's Letter, "Certain Cold-Rolled Steel Flat Products from the Republic of Korea, Case No. C-580-882: POSCO's Upstream Subsidy Questionnaire Response," dated September 19, 2019; and GOK's Letter, "Certain Cold-Rolled Steel Flat Products from the Republic of Korea, 01/01/2017-12/31/2017 Administrative Review, Case No. C-580-882: The GOK's Response to the Upstream Subsidy Questionnaire," dated September 20, 2019.

¹⁹ See Nucor's Letter, "Certain Cold-Rolled Steel Flat Products from the Republic of Korea: New Subsidy Allegations," dated May 7, 2019 (NSA Submission).

²⁰ See Hyundai Steel's Letter, "Cold-Rolled Steel Flat Products from the Republic of Korea, Case No. C-580-882: Rebuttal to Nucor's New Subsidy Allegation," dated May 20, 2019.

regarding Nucor's NSAs concerning Hyundai Steel and POSCO.²¹ On September 6, 2019, Commerce issued the NSA questionnaire to Hyundai Steel and the GOK.²² On September 16, 2019, Hyundai Steel, POSCO, and the GOK each submitted its NSA questionnaire response.²³

On January 28, 2019, Commerce exercised its discretion to toll all deadlines affected by the closure of the Federal Government from December 22, 2018, through January 29, 2019.²⁴ On July 8, 2019, Commerce extended the deadline for preliminary results of this review to no later than November 1, 2019.²⁵

We are conducting this review in accordance with section 751 of the Tariff Act of 1930, as amended (the Act).

III. PERIOD OF REVIEW

The POR is January 1, 2017 through December 31, 2017.

IV. SCOPE OF THE ORDER

The products covered by this order are certain cold-rolled (cold-reduced), flat-rolled steel products, whether or not annealed, painted, varnished, or coated with plastics or other non-metallic substances. The products covered do not include those that are clad, plated, or coated with metal. The products covered include coils that have a width or other lateral measurement ("width") of 12.7 mm or greater, regardless of form of coil (*e.g.*, in successively superimposed layers, spirally oscillating, *etc.*). The products covered also include products not in coils (*e.g.*, in straight lengths) of a thickness less than 4.75 mm and a width that is 12.7 mm or greater and that measures at least 10 times the thickness. The products covered also include products not in coils (*e.g.*, in straight lengths) of a thickness of 4.75 mm or more and a width exceeding 150 mm and measuring at least twice the thickness. The products described above may be rectangular, square, circular, or other shape and include products of either rectangular or non-rectangular cross-section where such cross-section is achieved subsequent to the rolling process, *i.e.*, products which have been "worked after rolling" (*e.g.*, products which have been beveled or rounded at the edges). For purposes of the width and thickness requirements referenced above:

²¹ See Memorandum, "Countervailing Duty Administrative Review of Certain Cold-Rolled Steel Flat Products from the Republic of Korea: New Subsidy Allegations," dated August 15, 2019.

²² See Commerce's Letter, "Countervailing Duty Administrative Review of Certain Cold-Rolled Steel Flat Products from the Republic of Korea: New Subsidy Allegations Questionnaire," dated September 6, 2019; *see also* Commerce's Letter, "Countervailing Duty Administrative Review of Certain Cold-Rolled Steel Flat Products from the Republic of Korea: New Subsidy Allegations Questionnaire," dated September 6, 2019.

²³ See GOK's Letter, "Certain Cold-Rolled Steel Flat Products from the Republic of Korea, 01/01/2017-12/31/2017 Administrative Review, Case No. C-580-882: The Republic of Korea's Response to the Countervailing Duty New Subsidy Allegations Questionnaire," dated September 16, 2019; *see also* Hyundai Steel's Letter, "Certain Cold-Rolled Steel Flat Products from the Republic of Korea, Case No. C-580-882: Hyundai Steel's New Subsidy Allegations Questionnaire Response," dated September 16, 2019.

²⁴ See Memorandum, "Deadlines Affected by the Partial Shutdown of the Federal Government," dated January 28, 2019. All deadlines in this segment of the proceeding have been extended by forty days.

²⁵ See Memorandum "Certain Cold-Rolled Steel Flat Products from the Republic of Korea: Extension of Deadline for Preliminary Results of Countervailing Duty Administrative Review; 2017," dated July 8, 2019.

(1) where the nominal and actual measurements vary, a product is within the scope if application of either the nominal or actual measurement would place it within the scope based on the definitions set forth above, and

(2) where the width and thickness vary for a specific product (*e.g.*, the thickness of certain products with non-rectangular cross-section, the width of certain products with non-rectangular shape, *etc.*), the measurement at its greatest width or thickness applies.

Steel products included in the scope of this order are products in which: (1) iron predominates, by weight, over each of the other contained elements; (2) the carbon content is 2 percent or less, by weight; and (3) none of the elements listed below exceeds the quantity, by weight, respectively indicated:

- 2.50 percent of manganese, or
- 3.30 percent of silicon, or
- 1.50 percent of copper, or
- 1.50 percent of aluminum, or
- 1.25 percent of chromium, or
- 0.30 percent of cobalt, or
- 0.40 percent of lead, or
- 2.00 percent of nickel, or
- 0.30 percent of tungsten (also called wolfram), or
- 0.80 percent of molybdenum, or
- 0.10 percent of niobium (also called columbium), or
- 0.30 percent of vanadium, or
- 0.30 percent of zirconium

Unless specifically excluded, products are included in this scope regardless of levels of boron and titanium.

For example, specifically included in this scope are vacuum degassed, fully stabilized (commonly referred to as interstitial-free (IF)) steels, high strength low alloy (HSLA) steels, motor lamination steels, Advanced High Strength Steels (AHSS), and Ultra High Strength Steels (UHSS). IF steels are recognized as low carbon steels with micro-alloying levels of elements such as titanium and/or niobium added to stabilize carbon and nitrogen elements. HSLA steels are recognized as steels with micro-alloying levels of elements such as chromium, copper, niobium, titanium, vanadium, and molybdenum. Motor lamination steels contain micro-alloying levels of elements such as silicon and aluminum. AHSS and UHSS are considered high tensile strength and high elongation steels, although AHSS and UHSS are covered whether or not they are high tensile strength or high elongation steels.

Subject merchandise includes cold-rolled steel that has been further processed in a third country, including but not limited to annealing, tempering, painting, varnishing, trimming, cutting, punching, and/or slitting, or any other processing that would not otherwise remove the merchandise from the scope of the review if performed in the country of manufacture of the cold-rolled steel.

All products that meet the written physical description, and in which the chemistry quantities do not exceed any one of the noted element levels listed above, are within the scope of this order unless specifically excluded. The following products are outside of and/or specifically excluded from the scope of this order:

- Ball bearing steels;²⁶
- Tool steels;²⁷
- Silico-manganese steel;²⁸
- Grain-oriented electrical steels (GOES) as defined in the final determination of the U.S. Department of Commerce in *Grain-Oriented Electrical Steel from Germany, Japan, and Poland*.²⁹
- Non-Oriented Electrical Steels (NOES), as defined in the antidumping orders issued by the U.S. Department of Commerce in *Non-Oriented Electrical Steel from the People's Republic of China, Germany, Japan, the Republic of Korea, Sweden, and Taiwan*.³⁰

The products subject to this order are currently classified in the Harmonized Tariff Schedule of the United States (HTSUS) under item numbers: 7209.15.0000, 7209.16.0030, 7209.16.0060,

²⁶ Ball bearing steels are defined as steels which contain, in addition to iron, each of the following elements by weight in the amount specified: (i) not less than 0.95 nor more than 1.13 percent of carbon; (ii) not less than 0.22 nor more than 0.48 percent of manganese; (iii) none, or not more than 0.03 percent of sulfur; (iv) none, or not more than 0.03 percent of phosphorus; (v) not less than 0.18 nor more than 0.37 percent of silicon; (vi) not less than 1.25 nor more than 1.65 percent of chromium; (vii) none, or not more than 0.28 percent of nickel; (viii) none, or not more than 0.38 percent of copper; and (ix) none, or not more than 0.09 percent of molybdenum.

²⁷ Tool steels are defined as steels which contain the following combinations of elements in the quantity by weight respectively indicated: (i) more than 1.2 percent carbon and more than 10.5 percent chromium; or (ii) not less than 0.3 percent carbon and 1.25 percent or more but less than 10.5 percent chromium; or (iii) not less than 0.85 percent carbon and 1 percent to 1.8 percent, inclusive, manganese; or (iv) 0.9 percent to 1.2 percent, inclusive, chromium and 0.9 percent to 1.4 percent, inclusive, molybdenum; or (v) not less than 0.5 percent carbon and not less than 3.5 percent molybdenum; or (vi) not less than 0.5 percent carbon and not less than 5.5 percent tungsten.

²⁸ Silico-manganese steel is defined as steels containing by weight: (i) not more than 0.7 percent of carbon; (ii) 0.5 percent or more but not more than 1.9 percent of manganese, and (iii) 0.6 percent or more but not more than 2.3 percent of silicon.

²⁹ See *Grain-Oriented Electrical Steel from Germany, Japan, and Poland: Final Determinations of Sales at Less Than Fair Value and Certain Final Affirmative Determination of Critical Circumstances*, 79 FR 42501, 42503 (July 22, 2014). This determination defines grain-oriented electrical steel as “a flat-rolled alloy steel product containing by weight at least 0.6 percent but not more than 6 percent of silicon, not more than 0.08 percent of carbon, not more than 1.0 percent of aluminum, and no other element in an amount that would give the steel the characteristics of another alloy steel, in coils or in straight lengths.”

³⁰ See *Non-Oriented Electrical Steel from the People's Republic of China, Germany, Japan, the Republic of Korea, Sweden, and Taiwan: Antidumping Duty Orders*, 79 FR 71741, 71741-42 (December 3, 2014). The orders define NOES as “cold-rolled, flat-rolled, alloy steel products, whether or not in coils, regardless of width, having an actual thickness of 0.20 mm or more, in which the core loss is substantially equal in any direction of magnetization in the plane of the material. The term ‘substantially equal’ means that the cross grain direction of core loss is no more than 1.5 times the straight grain direction (*i.e.*, the rolling direction) of core loss. NOES has a magnetic permeability that does not exceed 1.65 Tesla when tested at a field of 800 A/m (equivalent to 10 Oersteds) along (*i.e.*, parallel to) the rolling direction of the sheet (*i.e.*, B800 value). NOES contains by weight more than 1.00 percent of silicon but less than 3.5 percent of silicon, not more than 0.08 percent of carbon, and not more than 1.5 percent of aluminum. NOES has a surface oxide coating, to which an insulation coating may be applied.”

7209.16.0070, 7209.16.0091, 7209.17.0030, 7209.17.0060, 7209.17.0070, 7209.17.0091, 7209.18.1530, 7209.18.1560, 7209.18.2510, 7209.18.2520, 7209.18.2580, 7209.18.6020, 7209.18.6090, 7209.25.0000, 7209.26.0000, 7209.27.0000, 7209.28.0000, 7209.90.0000, 7210.70.3000, 7211.23.1500, 7211.23.2000, 7211.23.3000, 7211.23.4500, 7211.23.6030, 7211.23.6060, 7211.23.6090, 7211.29.2030, 7211.29.2090, 7211.29.4500, 7211.29.6030, 7211.29.6080, 7211.90.0000, 7212.40.1000, 7212.40.5000, 7225.50.6000, 7225.50.8080, 7225.99.0090, 7226.92.5000, 7226.92.7050, and 7226.92.8050.

The products subject to the order may also enter under the following HTSUS numbers: 7210.90.9000, 7212.50.0000, 7215.10.0010, 7215.10.0080, 7215.50.0016, 7215.50.0018, 7215.50.0020, 7215.50.0061, 7215.50.0063, 7215.50.0065, 7215.50.0090, 7215.90.5000, 7217.10.1000, 7217.10.2000, 7217.10.3000, 7217.10.7000, 7217.90.1000, 7217.90.5030, 7217.90.5060, 7217.90.5090, 7225.19.0000, 7226.19.1000, 7226.19.9000, 7226.99.0180, 7228.50.5015, 7228.50.5040, 7228.50.5070, 7228.60.8000, and 7229.90.1000.

The HTSUS subheadings above are provided for convenience and customs purposes only. The written description of the scope of the order is dispositive.

V. RATE FOR NON-EXAMINED COMPANIES

The statute and Commerce's regulations do not address the establishment of a rate to be applied to individual respondents not selected for examination when Commerce limits its examination in an administrative review pursuant to section 777A(e)(2) of the Act. Generally, Commerce looks to section 705(c)(5) of the Act, which provides instructions for calculating the all-others rate in an investigation, for guidance when calculating the rate for respondents which we did not examine in an administrative review. Section 705(c)(5)(A) of the Act articulates a preference that we are not to calculate an all-others rate using rates which are zero, *de minimis*, or based entirely on facts available. Accordingly, Commerce's usual practice in determining the rate for non-examined respondents has been to weight average the net subsidy rates for the individually examined companies, excluding rates that are zero, *de minimis*, or based entirely on facts available.³¹ Section 705(c)(5)(A)(ii) of the Act also provides that, where all rates are zero, *de minimis*, or based entirely on facts available, we may use "any reasonable method" for assigning the all-others rate, including averaging the estimated weighted-average net subsidy rates determined for the exporters and producers individually examined.

As indicated in the accompanying *Federal Register* notice of preliminary results, we preliminarily determine that the individually calculated rate for Hyundai Steel is *de minimis*. POSCO's calculated rate is above *de minimis* and not based entirely on facts available under section 776 of the Act. Therefore, we are applying the above *de minimis* net subsidy rate calculated for POSCO to the non-selected companies.

³¹ See, e.g., *Certain Pasta from Italy: Final Results of the 2008 Countervailable Review*, 75 FR 37386, 37387 (June 29, 2010).

VI. SUBSIDIES VALUATION INFORMATION

A. 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 are relying on a 15-year AUL.³²

B. Attribution of Subsidies

Commerce’s regulations at 19 CFR 351.525(b)(6)(i) state that Commerce 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 Commerce 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 Commerce’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.³³

Hyundai Steel reported that it is a publicly traded company engaged in the production and sale of steel products, including cold-rolled steel.³⁴ Hyundai Steel reported that it is not a subsidiary of any other company, and it has no parent or holding company.³⁵ Hyundai Steel provided a full response on behalf of itself, Hyundai HYSCO Co., Ltd. (Hyundai HYSCO), SPP Yulchon Energy, Hyundai BNG Steel (Hyundai BNG), and Hyundai Green Power.³⁶ Consistent with

³² See U.S. Internal Revenue Service Publication 946 (2008), “How to Depreciate Property,” at Table B-2: Table of Class Lives and Recovery Periods.

³³ See *Fabrique de Fer de Charleroi v. United States*, 166 F. Supp. 2d 593, 600-604 (CIT 2001).

³⁴ See Hyundai Steel Affiliation QR at 3.

³⁵ *Id.*

³⁶ See Hyundai Steel Initial QR; see also Hyundai Steel’s April 12, 2019 Hyundai HYSCO Questionnaire Response; Hyundai Steel’s April 12, 2019 SPP Yulchon Energy Questionnaire Response; Hyundai Steel’s June 3, 2019

prior segments of this proceeding and other proceedings, we preliminarily find that Hyundai Green Power is not cross-owned with Hyundai Steel and that Hyundai BNG and Hyundai Steel are not cross-owned.³⁷ Pursuant to 19 CFR 351.525(b)(6)(i), we have attributed subsidies received by Hyundai Steel to the sales of Hyundai Steel for these preliminary results.

For POSCO, we are preliminarily attributing subsidies received by POSCO to its own sales, in accordance with 19 CFR 351.525(b)(6)(i). POSCO reported that it had one affiliated Korean trading company through which it exported certain subject merchandise, POSCO Daewoo Corporation (PDC).³⁸ For PDC, because PDC is POSCO's trading company for certain of POSCO's exports of subject merchandise, we have cumulated benefits from subsidies received by PDC with benefits from subsidies provided to POSCO for subject merchandise that is sold through PDC based on the ratio of PDC's exports to the United States of subject merchandise that were produced by POSCO during the POR, pursuant to 19 CFR 351.525(c).

We have identified the cross-owned companies that supplied POSCO with raw materials during the POR that could have been primarily dedicated to the downstream product produced by POSCO: POSCO Chemtech, POSCO Nippon Steel RHF Joint Venture Co., Ltd. (PNR), POSCO Processing and Service (POSCO P&S), Pohang Scrap Recycling Distribution Center Co., Ltd. (Pohang SRDC), and POSCO M-Tech. Each of these companies supplied inputs to POSCO for the production of the downstream product.³⁹ Pursuant to 19 CFR 351.525(b)(6)(iv), we preliminarily attributed subsidies received by these cross-owned input suppliers to the respective input supplier's total sales plus the total sales of POSCO, net of inter-company sales.

Either POSCO or POSCO's cross-owned input suppliers acquired the following companies during the AUL:

- POS-Himetal: POS-Himetal merged with POSCO in 2016 and, afterward, no longer existed as a separate company.⁴⁰
- POSCO Green Gastech: POSCO Green Gastech merged with POSCO in 2016, afterward, no longer existed as a separate company.⁴¹

Hyundai BNG Questionnaire Response; and Hyundai Steel's June 3, 2019 Hyundai Green Power Questionnaire Response.

³⁷ See *Certain Cold-Rolled Steel Flat Products from the Republic of Korea: Final Results of Countervailing Duty Administrative Review, 2016*, 84 FR 24087 (May 24, 2019) (*Cold-Rolled 2016 Final Results*), and accompanying Issues and Decision Memorandum (IDM) at Comment 8; see also *Certain Cut-to-Length Carbon Quality Steel plate from the Republic of Korea: Final Results of Countervailing Duty Administrative Review and New Shipper Review; Calendar Year 2015*, 82 FR 39410 (August 18, 2017); *Certain Corrosion-Resistant Steel Products from the Republic of Korea: Preliminary Results of Countervailing Duty Administrative Review, and Rescission of Review, in Part; 2017*, 84 FR 48107 (September 12, 2019); and Hyundai Steel Affiliation QR at 9-15.

³⁸ See POSCO Affiliation QR at 4.

³⁹ *Id.* at 10-11. Pohang SRDC processed scrap, which it provided to POSCO through POSCO P&S. See Pohang SRDC Initial QR at 1.

⁴⁰ See POSCO Affiliation QR at 13-14.

⁴¹ *Id.* at 14

- POSCO AST, POSCO NST and Daemyeong TMS: In 2012, POSCO AST merged with Daemyung TMS.⁴² In 2012, POSCO AST also merged with POSCO's subsidiary POSCO NST.⁴³ In 2016, POSCO P&S merged with POSCO AST.⁴⁴ Subsequently, POSCO AST did not exist as a separate company during the POR.⁴⁵
- POSCO TMC: In 2016, POSCO Transformer & Motor Core Co., Ltd (POSCO TMC) merged with POSCO P&S and, afterward, did not exist as a separate company.⁴⁶
- Ricco Metal Co. (Ricco Metal) and Nine-Digit Co. (Nine-Digit): In January 2013, Ricco Metal and Nine-Digit merged into POSCO M-Tech and, afterward, no longer existed as separate companies.⁴⁷
- Pohang SPFC and Gunsan SPFC: Pohang SPFC was formed in 2008 and merged into Steel Processing and Fabricating Center Co., Ltd. (SPFC) in January 2013.⁴⁸ Gunsan SPFC was formed in 2010 and merged into SPFC in January 2013.⁴⁹
- SPFC: In 2016, SPFC merged into POSCO P&S and, afterward, did not exist as a separate company.⁵⁰
- POSCO P&S: In March 2017, POSCO P&S's steel processing and trading business was merged into PDC.⁵¹
- POSCO Chemtech: In January 2013, POS Calcium Co., Ltd. (POS Calcium) was merged into POSCO Chemtech and, afterward, no longer existed as a separate company.⁵²

POSCO reported no other cross-owned producers of subject merchandise and that it has no holding or parent company.⁵³ Regarding the above-referenced companies that were acquired by POSCO or by POSCO's cross-owned companies, POSCO provided questionnaire responses for these companies. Our preliminary analysis indicates that none of these companies received subsidies that conferred measurable benefits.⁵⁴ Additionally, in the previous administrative review, we determined that Ricco Metal, Nine Digit, POSCO NST, Daemyung TMS, Pohang

⁴² See POSCO's Letter, "Certain Cold-Rolled Steel Flat Products from the Republic of Korea, Case No. C-580-882: Notification of Reporting Difficulty and Request to Modify Reporting Instructions," dated March 20, 2019 (POSCO Reporting Difficulties Letter), at 11.

⁴³ *Id.*

⁴⁴ See POSCO Affiliation QR at 15.

⁴⁵ See POSCO P&S Initial QR at 1-2.

⁴⁶ *Id.*

⁴⁷ See POSCO M-Tech Initial QR at 1.

⁴⁸ See POSCO Reporting Difficulties Letter at 12.

⁴⁹ *Id.* at 13.

⁵⁰ See POSCO P&S Initial QR at 1-2.

⁵¹ *Id.* at 1.

⁵² See POSCO Affiliation QR at 14.

⁵³ *Id.* at 8-9.

⁵⁴ See Memorandum, "Calculations for the Preliminary Results: POSCO," dated concurrently with this memorandum (POSCO Preliminary Calculation Memorandum).

SPFC, and Gunsan SPFC did not benefit from subsidies received during the AUL-period.⁵⁵ Therefore, we preliminarily determine that there is no evidence on the record of this review that would change this finding.⁵⁶

Nucor filed a NSA with regard to POSCO Plantec Co., Ltd.'s (POSCO Plantec's) debt workout program.⁵⁷ We asked for and received a full questionnaire response from POSCO Plantec.⁵⁸ Due to the complex nature of the debt workout program, and because our analysis is ongoing, we have not yet made a preliminary finding for this program. We intend to address this program in a post-preliminary analysis subsequent to these preliminary results.

C. Loan Benchmarks and Interest Rates

Short-Term Korean Won and U.S. Dollar-Denominated Loans

Hyundai Steel and POSCO (and POSCO's cross-owned affiliates) reported receiving short-term import financing from the Korea Export-Import Bank (KEXIM) and short-term discounted loans for export receivables from Korea Development Bank (KDB) during the POR.⁵⁹ The respondents provided information about short-term loans from commercial banks for consideration as comparable commercial loans for purposes of identifying an interest rate benchmark.⁶⁰ Consistent with 19 CFR 351.505(a)(2), we preliminarily determine that certain of the loans that the respondents provide constitute comparable commercial loans, and it is appropriate to use these loans to calculate a weighted-average benchmark interest rate.⁶¹ Where company-specific rates were not available, we used the short-term Korean or U.S. lending rates, published in the International Monetary Fund's (IMF) *International Financial Statistics*, as applicable, consistent with past practice in other Korean CVD proceedings.⁶²

⁵⁵ See *Certain Cold-Rolled Steel Flat Products from the Republic of Korea: Preliminary Results of Countervailing Duty Administrative Review*, 2016, 83 FR 51446 (October 11, 2018) (*Cold-Rolled 2016 Preliminary Results*), and accompanying Preliminary Decision Memorandum (PDM) at 10, unchanged in *Cold-Rolled 2016 Final Results*.

⁵⁶ See, generally, POSCO M-Tech Initial QR; and POSCO P&S Initial QR.

⁵⁷ See NSA Submission at 29-33.

⁵⁸ See POSCO Plantec's June 20, 2019 Section III Initial Questionnaire Response (POSCO Plantec Initial QR).

⁵⁹ See Hyundai Steel Initial QR at 13; POSCO M-Tech Initial QR at 15 and Exhibit A-2; and PDC Initial QR at 18 and Exhibit A-11.

⁶⁰ See POSCO's Letter, "Certain Cold-Rolled Steel Flat Products from the Republic of Korea, Case No. C-580-882: POSCO's Second Supplemental Questionnaire Response," dated June 14, 2019, at Exhibit M-Tech A-8; see also Hyundai Steel Initial QR at Exhibit A-1.

⁶¹ See Memorandum, "Calculations for the Preliminary Results: Hyundai Steel," dated concurrently with this memorandum (Hyundai Steel Preliminary Calculation Memorandum); and POSCO Preliminary Calculation Memorandum.

⁶² See, e.g., *Certain Carbon and Alloy Steel Cut-to-Length Plate from the Republic of Korea: Preliminary Negative Countervailing Duty Determination and Alignment of Final Determination with Final Antidumping Duty Determination*, 81 FR 63168 (September 14, 2016), and accompanying PDM at 15, unchanged in *Certain Carbon and Alloy Steel Cut-To-Length Plate from the Republic of Korea: Final Affirmative Countervailing Duty Determination and Final Negative Critical Circumstances Determination*, 82 FR 16341 (April 4, 2017) (*CTL Final Determination*), and accompanying IDM at 9.

Long-Term Korean Won and U.S. Dollar Denominated Loans and Credit Guarantees

During the POR, POSCO and its cross-owned affiliates had outstanding long-term Korean won- and U.S. dollar-denominated loans from government-owned banks.⁶³ As benchmarks for won-denominated long-term loans and as discount rates, we used, where available, the company-specific interest rates on the company's comparable commercial, won-denominated loans. If such loans were not available, we used, 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 1991.⁶⁴ This is the approach Commerce has taken in several prior Korean CVD proceedings.⁶⁵ 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, because it is widely accepted as the market rate in Korea.⁶⁶ Where company-specific rates were not available, we used the national average of the yields on three-year, won-denominated corporate bonds, published in the IMF's *International Financial Statistics*. This approach is consistent with 19 CFR 351.505(a)(3)(ii) and prior Korean CVD proceedings.⁶⁷ 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. For U.S. dollar-denominated loans, we used the long-term U.S. government bond yield rate, as reported by the IMF's *International Financial Statistics*.

D. Denominators

When selecting an appropriate denominator for use in calculating the *ad valorem* subsidy rate, Commerce considers the basis for the respondent's receipt of benefits under each program. As discussed in further detail below, where the program has been found to be countervailable as a domestic subsidy, we have used total sales as the denominator for our rate calculations for Hyundai Steel and POSCO. For PDC, because the short-term discounted loans for export receivables have been found to be countervailable as an export subsidy,⁶⁸ we have used PDC's U.S. export sales of subject merchandise as the denominator. In the sections below, we describe

⁶³ See, e.g., POSCO Initial QR at 19-21, 49, and Exhibits A-3, A-6, and G-1; PDC Initial QR at 16-17, 19-21, and Exhibits A-7 and A-18; and POSCO M-Tech Initial QR at 15 and Exhibit A-3.

⁶⁴ 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).

⁶⁵ *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 "C. 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 3-5.

⁶⁶ See *Final Affirmative Countervailing Duty Determinations and Final Negative Critical Circumstances Determinations: Certain Steel Products from Korea*, 58 FR 37338, 37345-47 (July 9, 1993).

⁶⁷ 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), and accompanying IDM at 2-3.

⁶⁸ See *Countervailing Duty Investigation of Certain Cold-Rolled Steel Flat Products from the Republic of Korea: Final Affirmative Determination*, 81 FR 49946 (July 29, 2016) (*Cold-Rolled from Korea Final Determination*), and accompanying IDM at 25.

the denominators we used to calculate the countervailable subsidy rates for the various subsidy programs.

E. Discount Rates

Consistent with 19 CFR 351.524(d)(3)(i)(A), we used, as our discount rate, the long-term interest rate calculated according to the methodology described above for the year in which the government provided non-recurring subsidies. The interest rate benchmarks and discount rates used in our preliminary calculations are provided in the Hyundai Steel Preliminary Calculation Memorandum and POSCO Preliminary Calculation Memorandum.

VII. USE OF FACTS OTHERWISE AVAILABLE

Sections 776(a)(1) and (2) of the Act provide that Commerce shall, subject to section 782(d) of the Act, apply “facts otherwise available” (FA) if necessary information is not on the record or an interested party or any other person: (A) withholds information that has been requested; (B) fails to provide information within the deadlines established, or in the form and manner requested by Commerce, subject to subsections (c)(1) and (e) of section 782 of the Act; (C) significantly impedes a proceeding; or (D) provides information that cannot be verified as provided by section 782(i) of the Act.

Section 776(c) of the Act provides that, when Commerce relies on secondary information rather than on information obtained in the course of an investigation or review, it shall, to the extent practicable, corroborate that information from independent sources that are reasonably at its disposal. Secondary information is “information derived from the petition that gave rise to the investigation or review, the final determination concerning the subject merchandise, or any previous review under section 751 concerning the subject merchandise.”⁶⁹ It is Commerce’s practice to consider information to be corroborated if it has probative value.⁷⁰ In analyzing whether information has probative value, it is Commerce’s practice to examine the reliability and relevance of the information to be used.⁷¹ However, the SAA emphasizes that Commerce need not prove that the selected facts available are the best alternative information.⁷²

Finally, under the new section 776(d) of the Act, Commerce may use any countervailable subsidy rate applied for the same or similar program in a CVD proceeding involving the same country, or, if there is no same or similar program, use a CVD rate for a subsidy program from a proceeding that the administering authority considers reasonable to use, including the highest of such rates.

For purposes of these preliminary results, we are applying FA in the circumstances outlined below.

⁶⁹ Statement of Administrative Action (SAA) accompanying the Uruguay Round Agreements Act, H.R. Doc. 103-316 vol. 1 (1994) at 870.

⁷⁰ *Id.*

⁷¹ *Id.* at 869.

⁷² *Id.* at 869-870.

A. Application of FA: Hyundai HYSCO

In its response, Hyundai Steel reported that it acquired the cold-rolling and coating assets and business of Hyundai HYSCO on December 31, 2013.⁷³ Hyundai HYSCO ceased to exist as an ongoing entity after July 1, 2015, when it was merged into Hyundai Steel.⁷⁴

In a supplemental questionnaire dated May 14, 2019, we requested that Hyundai Steel submit complete questionnaire responses for Hyundai HYSCO. Hyundai Steel responded by notifying Commerce of reporting difficulties, and it requested that Commerce modify its reporting instructions.⁷⁵ Specifically, Hyundai Steel stated that it could not report for Hyundai HYSCO for the period 2002 through 2005, because no records exist for this part of the AUL period.⁷⁶ In a letter dated September 24, 2019, Commerce informed Hyundai Steel that it had denied its request to be excused from reporting for Hyundai HYSCO for the period 2002 through 2005.⁷⁷

Because Hyundai HYSCO was acquired by Hyundai Steel during the AUL period, we need to consider whether any non-recurring subsidies that Hyundai HYSCO received could pass through to Hyundai Steel. Thus, we requested that Hyundai Steel submit complete questionnaire responses for Hyundai HYSCO. However, as described above, Hyundai Steel claims that it is unable to respond on behalf of Hyundai HYSCO for the 2002 through 2005 reporting period due to its reporting difficulties. Accordingly, for purposes of these preliminary results, in accordance with section 776(a) of the Act, we are applying FA, since necessary information is not on the record. As FA, we are relying on subsidies information for Hyundai HYSCO from the 2010 administrative review of corrosion-resistant carbon steel flat products from Korea.⁷⁸ Specifically, we are relying on the CVD rate that was calculated for Hyundai HYSCO's non-recurring subsidies. The only non-recurring subsidy for Hyundai HYSCO during this period was for the "Promotion of Specialized Enterprises for Parts and Materials," in the amount of 0.01 percent *ad valorem*.⁷⁹ We are cumulating this 0.01 percent rate with the CVD rate calculated for Hyundai Steel in this administrative review.

⁷³ See Hyundai Steel Affiliation Response at 21.

⁷⁴ *Id.*

⁷⁵ See Hyundai Steel's Letter, "Certain Cold-Rolled Steel Flat Products from the Republic of Korea, Case No. C-580-882: Notification of Reporting Difficulty and Request to Modify Reporting Instructions," dated September 20, 2019.

⁷⁶ *Id.* at 1.

⁷⁷ See Commerce's Letter, "Countervailing Duty Administrative Review of Certain Cold-Rolled Steel Flat Products: Hyundai Steel Co., Ltd.'s Request to Modify Reporting Requirements, dated September 24, 2019.

⁷⁸ See *Corrosion-Resistant Carbon Steel Flat Products from the Republic of Korea: Final Results of Countervailing Duty Administrative Review*; 2010, 78 FR 19210 (March 29, 2013), and accompanying IDM.

⁷⁹ See Memorandum, "Placing Documents on the Record of this Review: Hyundai Hysco," dated concurrently with this memorandum.

VIII. ANALYSIS OF PROGRAMS

A. Programs Preliminarily Determined to be Countervailable

1. Restriction of Special Location Taxation Act (RSLTA) - Local Tax Exemptions on Land Outside Metropolitan Areas – Article 78

Hyundai Steel and POSCO reported receiving tax exemptions under Article 78 of the RSLTA.⁸⁰ 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.⁸¹ Under Article 78 of the RSLTA, 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.⁸² 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.⁸³ 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.⁸⁴ The program is administered by the local tax officials of the county where the industrial complex is located.⁸⁵

The GOK reported that there were no changes to this program during the POR.⁸⁶ Thus, 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 the subsidies are limited to enterprises located within designated geographical regions. Our finding regarding specificity in this review is consistent with prior Korean CVD proceedings for this program.⁸⁷

⁸⁰ See Hyundai Steel Initial QR 19; see also POSCO Initial QR at 27-29 and Exhibit B-11; PDC Initial QR at 25-26 and Exhibit B-2; POSCO M-Tech Initial QR at 17-18 and Exhibit B-1; PNR Initial QR at 14-15 and Exhibit B-1; POSCO Chemtech Initial QR at 17 and Exhibit B-2; and POSCO Plantec Initial QR at 18 and Exhibit B-1.

⁸¹ See *Cold-Rolled 2016 Preliminary Results*, PDM at 16-17, unchanged in *Cold-Rolled 2016 Final Results*.

⁸² *Id.*

⁸³ *Id.*

⁸⁴ *Id.*

⁸⁵ *Id.*

⁸⁶ See GOK Initial QR at 10-11.

⁸⁷ See, e.g., *Certain Cut-to-Length Carbon-Quality Steel Plate from the Republic of Korea: Preliminary Results of Countervailing Duty Administrative Review; and Rescission of Review, in Part; Calendar Year 2017*, 84 FR 15182 (April 15, 2019) (*CTL Plate from Korea 2017 Preliminary Results*), and accompanying PDM at 8-9, unchanged in *Certain Cut-to-Length Carbon-Quality Steel Plate from the Republic of Korea: Final Results of Countervailing Duty Administrative Review; Calendar Year 2017*, 84 FR 42893 (August 19, 2019) (*CTL Plate from Korea 2017 Final Results*), and accompanying IDM at 4; see also *Large Diameter Welded Pipe from the Republic of Korea: Preliminary Affirmative Countervailing Duty Determination and Alignment of Final Determination with Final, Antidumping Duty Determination*, 83 FR 30693 (June 29, 2018) (*LDWP from Korea Preliminary Determination*), and accompanying PDM at 21-22, unchanged in *Large Diameter Welded Pipe from the Republic of Korea: Final Affirmative Countervailing Duty Determination*, 84 FR 6369 (February 27, 2019) (*LDWP from Korea Final Determination*), and accompanying IDM at 14-15.

The tax credits provided under this program are recurring benefits, because the taxes are due annually. Thus, the benefit is expensed in the year in which it is received.⁸⁸ 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 respective company, as described in the “Attribution of Subsidies” section, above. On this basis, we preliminarily determine a countervailable subsidy rate of 0.02 percent *ad valorem* for Hyundai Steel⁸⁹ and 0.01 percent *ad valorem* for POSCO under this program.⁹⁰

2. RSTA Article 25(2): Tax Deductions for Investments in Energy Economizing Facilities

Hyundai Steel and POSCO reported receiving tax deductions under RSTA Article 25(2).⁹¹ The purpose of this program is to facilitate the enhancement of energy efficiency in business sectors through a deduction from income taxes payable.⁹² Commerce previously determined that this program was countervailable.⁹³

We preliminarily determine that this program results in a financial contribution from the GOK to recipients in the form of revenue forgone, as described in section 771(5)(D)(ii) of the Act. The benefit conferred on the recipient is the difference between the amount of taxes it paid and the amount of taxes that it would have paid in the absence of this program, in accordance with section 771(5)(E) of the Act and 19 CFR 351.509(a), effectively, the amount of the tax credit claimed.

The GOK reported that, in 2017, there were 42,413 small and medium enterprises (SMEs) and 9,743 general corporations tax returns filed.⁹⁴ The GOK also reports that 433 SME and 316 general corporations used this program.⁹⁵ As such, we preliminarily determine that this program is *de facto* specific within the meaning of section 771(5A)(D)(iii)(I) of the Act, because the actual recipients of the subsidy is limited in number. This finding is also consistent with *LDWP from Korea Final Determination*, the period of investigation of which covered the calendar year 2017, and *CTL Plate from Korea 2017 Final Results*, the POR of which also covered the calendar year 2017.⁹⁶

⁸⁸ See 19 CFR 351.524(a) and (c).

⁸⁹ See Hyundai Steel Preliminary Calculation Memorandum.

⁹⁰ See POSCO Preliminary Calculation Memorandum.

⁹¹ See Hyundai Steel Initial QR at 18; see also POSCO Initial QR at 26 and Exhibit B-1; and POSCO P&S Initial QR at 21 and Exhibit B-1.

⁹² See *Cold-Rolled 2016 Preliminary Results*, PDM at 23-24, unchanged in *Cold-Rolled 2016 Final Results*.

⁹³ See *Countervailing Duty Investigation of Certain Cold-Rolled Steel Flat Products from the Republic of Korea: Preliminary Negative Determination and Alignment of Final Determination with Final Antidumping Duty Determination*, 80 FR 76567 (December 22, 2015) (*Cold-Rolled Steel from Korea Preliminary Determination*), and accompanying PDM at 17-18, unchanged in *Cold-Rolled from Korea Final Determination*.

⁹⁴ See GOK Supplemental QR at Exhibit SQ-2.

⁹⁵ *Id.*

⁹⁶ See *LDWP from Korea Preliminary Determination*, PDM at 19, unchanged in *LDWP from Korea Final Determination*, IDM at 14; see also *CTL Plate 2017 Preliminary Results*, PDM at 10, unchanged in *CTL Plate from Korea 2017 Final Results*, IDM at 5.

To calculate the net subsidy rate, we divided the amount of the tax savings received by respondents by their respective total sales during the POR, as described in the “Attribution of Subsidies” section, above. On this basis, we preliminarily determine that Hyundai Steel received a countervailable subsidy rate of 0.02 percent *ad valorem*⁹⁷ and that POSCO received a countervailable subsidy rate of 0.17 percent *ad valorem* under this program.⁹⁸

3. RSTA Article 25(3): Tax Credit for Investment in Environmental and Safety Facilities

Hyundai Steel reported that it received tax exemptions under RSTA Article 25(3).⁹⁹ Introduced in 2007, RSTA Article 25(3) aims to motivate investments in facilities that are constructed for the purpose of preserving the environment.¹⁰⁰ Any entity making an investment in facilities under this program may apply for a ten percent tax deduction.¹⁰¹ Commerce previously determined that this program was countervailable in the *Cold-Rolled Steel from Korea Final Determination*.¹⁰²

The GOK reported that there were no changes to this program during the POR.¹⁰³ Thus, consistent with prior segments of this proceeding, we preliminarily determine that this program is *de facto* specific within the meaning of section 771(5A)(D)(iii)(I) of the Act because the actual number of recipients is limited.¹⁰⁴ Also, consistent with prior segments of this proceeding, we preliminarily determine that this program results in a financial contribution from the GOK to recipients in the form of revenue forgone, as described in section 771(5)(D)(ii) of the Act, and confers a benefit pursuant to section 771(5)(E) of the Act and 19 CFR 351.509(a).¹⁰⁵

To calculate the net subsidy, we divided the amount of the tax savings received by Hyundai Steel by its total sales during the POR, as described in the “Attribution of Subsidies” section, above. On this basis, we preliminarily determine that Hyundai Steel received a countervailable subsidy rate of 0.05 percent *ad valorem* under this program.

⁹⁷ See Hyundai Steel Preliminary Calculation Memorandum.

⁹⁸ See POSCO Preliminary Calculation Memorandum.

⁹⁹ See Hyundai Steel Initial QR at 18.

¹⁰⁰ See *Cold-Rolled Steel from Korea Preliminary Determination*, PDM at 18, unchanged in *Cold-Rolled Steel from Korea Final Determination*.

¹⁰¹ *Id.*

¹⁰² *Id.*

¹⁰³ See GOK Initial QR at 9.

¹⁰⁴ See *Cold-Rolled Steel from Korea Preliminary Determination*, PDM at 18-19, unchanged in *Cold-Rolled Steel from Korea Final Determination*, IDM at 19.

¹⁰⁵ *Id.*

4. Tax Deduction Under Restriction of Special Taxation Act (RSTA) Article 26: GOK Facilities Investment Support

Hyundai Steel reported that it claimed tax credits under this program on the tax return filed during the POR.¹⁰⁶ In addition, POSCO reported receiving tax exemptions under RSTA Article 26 during the POR.¹⁰⁷ Article 26 was first introduced through the RSTA in 1982 to encourage companies to make investments out of the Seoul metropolitan area in their respective fields of business by providing them with tax incentives.¹⁰⁸ Under RSTA Article 26, taxpayers are permitted to apply for a tax deduction from the income tax or corporate tax of the qualifying investment.¹⁰⁹ The following categories of companies qualify for the tax incentives provided under the program: (1) a small- or medium-sized enterprise, (2) a “transitioning” company, or (3) “any other company.” The relevant law authorizing the credit, RSTA Article 26, limits this program to enterprises or industries within a designated geographical region within the jurisdiction of the authority providing the subsidy, areas outside the Seoul metropolitan area.¹¹⁰ Commerce previously determined that this program was countervailable.¹¹¹ The GOK reported that there were no changes to this program during the POR, except with regard to small or medium enterprises.¹¹²

Consistent with prior segments of this proceeding, we preliminarily determine that the tax reductions under RSTA Article 26 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 prior Korean CVD proceedings.¹¹³

To calculate the benefit, we subtracted the amount of taxes paid by the firms from the amount 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 respective company, as described in the “Attribution of Subsidies” section, above. On this basis, we preliminarily determine the net subsidy rate under this program during the POR to be 0.28 percent *ad valorem* for Hyundai Steel¹¹⁴ and 0.14 percent *ad valorem* for POSCO.¹¹⁵

¹⁰⁶ See Hyundai Steel Initial QR at 18.

¹⁰⁷ See POSCO Initial QR at 27; and Pohang SRCD Initial QR at 15 and Exhibit 5.

¹⁰⁸ See GOK Initial QR at 9-10.

¹⁰⁹ See *Cold-Rolled 2016 Preliminary Results*, PDM at 19, unchanged in *Cold-Rolled 2016 Final Results*.

¹¹⁰ *Id.*

¹¹¹ *Id.*

¹¹² See GOK Initial QR at 9.

¹¹³ See *CTL Plate from Korea 2017 Final Results*, IDM at 11; see also *LDWP from Korea Preliminary Determination*, PDM at 20-21, unchanged in *LDWP from Korea Final Determination*, IDM at 14.

¹¹⁴ See Hyundai Steel Preliminary Calculation Memorandum.

¹¹⁵ See POSCO Preliminary Calculation Memorandum.

5. RSTA Article 104(15): Development of Overseas Resources

POSCO reported that it received tax exemptions under RSTA Article 104(15).¹¹⁶ This program was introduced to develop overseas resources and secure stable supply of energy resources and to strengthen the effectiveness of tax support by providing tax deductions to investments on an overseas local corporation by a national corporation.¹¹⁷ Commerce previously determined that this program was countervailable.¹¹⁸

The GOK reported that there were no changes to this program during the POR.¹¹⁹ Thus, consistent with prior segments of this proceeding, we preliminarily determine that the tax reductions under this program 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 also preliminarily determine that this program is *de jure* specific within the meaning of section 771(5A)(D)(i) of the Act because this program is limited to companies that are investing in development of foreign resources in a specific sector such as mining.¹²⁰

The tax credits provided under this program are recurring benefits because the taxes are due annually. Thus, consistent with 19 CFR 351.524(a), the benefit is expensed in the year in which it is received. To calculate the benefit for POSCO, we divided the amount of the tax savings by POSCO's total sales during the POR. On this basis, we preliminarily determine that POSCO received a net countervailable subsidy rate of 0.05 percent *ad valorem*.¹²¹

6. RSTA Article 11: Tax Credit for Investment in Facilities for Research and Manpower

POSCO reported that it received tax exemptions under RSTA Article 11.¹²² Under this program, companies receive tax deductions for facility investments on research and development (R&D).¹²³ Commerce previously determined that this program was countervailable.¹²⁴

The GOK reported that, in 2017, there were 42,413 SMEs and 9,743 general corporations tax returns filed.¹²⁵ The GOK also reports that 224 SME and 361 general corporations used this program.¹²⁶ As such, we preliminarily determine that this program is *de facto* specific within the meaning of section 771(5A)(D)(iii)(I) of the Act because the actual recipients of the subsidy is limited in number. This program results in a financial contribution from the GOK to recipients

¹¹⁶ See POSCO Initial QR at 33 and Exhibit B-1.

¹¹⁷ See *Cold-Rolled 2016 Preliminary Results*, PDM at 19-20, unchanged in *Cold-Rolled 2016 Final Results*.

¹¹⁸ See *Cold-Rolled 2016 Final Results*, IDM at 9.

¹¹⁹ See GOK Initial QR at 14.

¹²⁰ *Id.*

¹²¹ See POSCO Preliminary Calculation Memo.

¹²² See POSCO Initial QR at 32.

¹²³ See *Cold-Rolled 2016 Preliminary Results*, PDM at 20-21, unchanged in *Cold-Rolled 2016 Final Results*.

¹²⁴ See *Cold-Rolled 2016 Final Results*, IDM at 9.

¹²⁵ See GOK Supplemental QR at Exhibit SQ-2.

¹²⁶ *Id.*

in the form of revenue forgone, as described in section 771(5)(D)(ii) of the Act, and confers a benefit pursuant to section 771(5)(E) of the Act and 19 CFR 351.509(a).

The tax credits provided under this program are recurring benefits because the taxes are due annually. Thus, consistent with 19 CFR 351.524(a), the benefit is expensed in the year in which it is received. To calculate the benefits for POSCO, we divided the amount of the tax savings by POSCO's total sales during the POR. On this basis, we preliminarily determine that POSCO received a net countervailable subsidy at a rate of 0.06 percent *ad valorem*.¹²⁷

7. RSTA Article 9, formerly TERCL Article 8: Technical Development Fund

POSCO reported that it received tax exemptions under RSTA Article 9 during the POR.¹²⁸ Under Article 9 of the RSTA, a corporation that has accumulated reserves for research and human resources development may deduct the reserves up to an amount equal to three percent of its net income for the tax year, independent of the actual expenditures for R&D and human resources during the tax year.¹²⁹ Commerce previously determined that this program was countervailable.¹³⁰

The GOK reported that there were no changes to this program during the POR.¹³¹ Thus, consistent with prior segments of this proceeding, we preliminarily determine that this program is *de jure* specific within the meaning of section 771(5A)(D)(i) of the Act. We further preliminarily determine that this program results in a financial contribution from the GOK to recipients in the form of revenue forgone, as described in section 771(5)(D)(ii) of the Act, and confers a benefit pursuant to section 771(5)(E) of the Act and 19 CFR 351.509(a).

To calculate a benefit under this program, consistent with our methodology in the *Cold-Rolled 2016 Final Results*, we treated the amount that POSCO and POSCO Chemtech retained as a balance in reserves on its tax return filed during the POR as a long-term, interest-free contingent liability loan.¹³² We then used the benchmarks described in the "Long-Term Korean Won and U.S. Dollar-Denominated Loans, and Credit Guarantees" section above, as well as the methodology described in 19 CFR 351.505(c), to calculate the interest that POSCO and POSCO Chemtech would have paid on a comparable commercial loan during the POR by multiplying the balance amount by the benchmark long-term interest rate. To calculate the benefit, we divided the amount of the tax savings received by POSCO by its total sales during the POR. With respect to POSCO Chemtech, we divided the amount of the tax savings it received by its input supplier denominator. We then combined these subsidy rates. On this basis, we preliminarily determine that POSCO received a net countervailable subsidy rate of 0.01 percent *ad valorem*.¹³³

¹²⁷ See POSCO Preliminary Calculation Memo.

¹²⁸ See POSCO Initial QR at 31-32 and Exhibit 18; see also POSCO Chemtech Initial QR at 18 and Exhibit 6.

¹²⁹ See *Cold-Rolled 2016 Preliminary Results*, PDM at 22, unchanged in *Cold-Rolled 2016 Final Results*.

¹³⁰ See *Cold-Rolled 2016 Final Results*, IDM at 9-10.

¹³¹ See GOK Initial QR at 12.

¹³² See *Cold-Rolled 2016 Final Results*, IDM at 20-22.

¹³³ See POSCO Preliminary Calculation Memo.

8. RSTA Article 8-3: Tax Credit when Making Contributions to Funds for Collaborative Cooperation between Large Enterprises and Small or Medium Enterprises

POSCO reported that it received tax credits under RSTA Article 8-3 during the POR.¹³⁴ Under this program, a domestic corporation which makes any contributions to the collaborative cooperation between large enterprises and SMEs, or between SMEs, shall be eligible for corporate tax credit of an amount equivalent to 7/100 of the relevant contributions.¹³⁵ The tax reduction is administered by the National Tax Service (NTS), under the direction of the Ministry of Strategy and Finance.¹³⁶

We preliminarily determine that this program results in a financial contribution from the GOK to recipients in the form of revenue forgone, as described in section 771(5)(D)(ii) of the Act. The benefit conferred on the recipient is the difference between the amount of taxes it paid and the amount of taxes that it would have paid in the absence of this program, as contemplated by section 771(5)(E) of the Act and as described in 19 CFR 351.509(a); effectively, the benefit is the amount of the tax credit claimed. The GOK reported that, in 2017, there were 42,413 SMEs and 9,743 general corporations tax returns filed.¹³⁷ The GOK also reports that 54 general corporations out of 9,743 used this program.¹³⁸ As such, we further preliminarily find this program to be *de facto* specific within the meaning of section 771(5A)(D)(iii)(I) of the Act, because the actual recipients of the subsidy are limited in number.

The tax credits provided under this program are recurring benefits because the taxes are due annually. Thus, consistent with 19 CFR 351.524(a), the benefit is expensed in the year in which it is received. To calculate the benefit for POSCO, we divided the amount of the tax savings by its total sales during the POR. On this basis, we preliminarily determine that POSCO received a net countervailable subsidy at a rate of 0.02 percent *ad valorem*.¹³⁹

9. RSTA Article 10-2: Special Taxation for Contribution, etc. for R&D

POSCO reported that it received a tax deduction under this program.¹⁴⁰ Under this program, a corporation that received a contribution, for purposes of conducting R&D, may choose not to include the amount equivalent to the R&D contribution in its gross income.¹⁴¹ The GOK explained that the corporation that uses this tax deduction must recognize income in future tax years.¹⁴² Commerce previously determined that this program was countervailable in the *CTL Final Determination*.¹⁴³

¹³⁴ See POSCO Initial QR at 24; *see also* POSCO Chemtech Initial QR at 15; and POSCO P&S Initial QR at 19.

¹³⁵ See GOK Supplemental QR at 5-6.

¹³⁶ *Id.*

¹³⁷ *Id.* at Exhibit SQ-2.

¹³⁸ *Id.*

¹³⁹ See POSCO Preliminary Calculation Memo.

¹⁴⁰ See POSCO Initial QR at 24-25.

¹⁴¹ See GOK Supplemental QR at 20.

¹⁴² *Id.*

¹⁴³ See *CTL Final Determination*, IDM at 18.

Commerce preliminarily determines that this program results in a financial contribution from the GOK to recipients in the form of revenue forgone, as described in section 771(5)(D)(ii) of the Act. The benefit conferred on the recipient is the difference between the amount of taxes it paid and the amount of taxes that it would have paid in the absence of this program, as contemplated by section 771(5)(E) of the Act and as described in 19 CFR 351.509(a); effectively, the benefit is the amount of the tax credit claimed. The GOK reported that in 2017, there were 42,413 SMEs and 9,743 general corporations tax returns filed.¹⁴⁴ The GOK also reported that 26,607 SME and 1,535 general corporations used this program.¹⁴⁵ As such, we also preliminarily find this program to be *de facto* specific within the meaning of section 771(5A)(D)(iii)(I) of the Act because the actual recipients of the subsidy are limited in number.¹⁴⁶

To calculate the benefit for POSCO, we divided the amount of the tax savings by its total sales during the POR. On this basis, we preliminarily determine that POSCO received a net countervailable subsidy at a rate of 0.01 percent *ad valorem*.¹⁴⁷

10. Research and Development Grants Under the Industrial Technology Innovation Promotion Act (ITIPA)¹⁴⁸

POSCO reported receiving various grants under this program during the POR and the AUL.¹⁴⁹ This program is designed to promote the competitiveness of Korea's national economy through the development of industrial technologies by providing grants.¹⁵⁰ This program is regulated and operated by the Ministry of Trade, Industry and Energy.¹⁵¹ Commerce previously determined that this program was countervailable.¹⁵²

The GOK reports there were no changes to this program in the POR.¹⁵³ Thus, consistent with our findings in prior segments of this proceeding, we preliminarily determine this program to be *de jure* specific under section 771(5A)(D)(i) of the Act. Further, we preliminarily determine that a financial contribution was provided within the meaning of section 771(5)(D)(i) of the Act because the GOK's payments constitute a direct transfer of funds, and a benefit exists in the amount of the grant provided in accordance with 19 CFR 351.504(a).

We preliminarily determine that the grants provided under this program are non-recurring in accordance with 19 CFR 351.524(c). Although POSCO and its cross-owned affiliates reported

¹⁴⁴ See GOK Supplemental QR at Exhibit SQ-2.

¹⁴⁵ *Id.*

¹⁴⁶ See, e.g., *LDWP from Korea Preliminary Determination*, PDM at 19, unchanged in *LDWP from Korea Final Determination*.

¹⁴⁷ See POSCO Preliminary Calculation Memo.

¹⁴⁸ The petitioners submitted comments on this program on October 22, 2019. See Petitioners' Letter, "Certain Cold-Rolled Steel Flat Products from the Republic of Korea: Pre-Preliminary Comments," dated October 22, 2019. We intend to examine these comments further subsequent to the preliminary results.

¹⁴⁹ See POSCO Initial QR at 35-38; see also POSCO Chemtech Initial QR at 20-21; and PDC Initial QR at 28-29.

¹⁵⁰ See *Cold-Rolled 2016 Preliminary Results*, PDM at 25, unchanged in *Cold-Rolled 2016 Final Results*.

¹⁵¹ *Id.*

¹⁵² See *Cold-Rolled 2016 Final Results*, IDM at 10.

¹⁵³ See GOK Initial QR at 16.

receiving benefits during the AUL, based on the results of the “0.5 percent test” conducted pursuant to 19 CFR 351.524(b)(2), we preliminarily determine that these grants were expensed in the year of receipt and, thus, were not allocable to the POR.¹⁵⁴

To calculate the net subsidy amount for the grants received during the POR, we followed the following calculations. For POSCO, we divided POSCO’s benefit amount by its total POR sales. With respect to POSCO Chemtech, we divided POSCO Chemtech’s benefit amount by its input supplier denominator. With respect to PDC, we divided PDC’s benefit amount by its total POR sales and then attributed PDC’s benefit to POSCO using the trading company methodology.¹⁵⁵ On this basis, we calculated a measurable net countervailable subsidy rate of 0.02 percent for POSCO only.¹⁵⁶

11. Port Usage Fee Exemption Programs

POSCO reported receiving port usage fee exemptions during the POR.¹⁵⁷ The GOK established this program in 1976 under the Harbor Act in order to compensate companies that have constructed port facilities with their own funds and have made donations to the government.¹⁵⁸ The GOK authority in charge of administering this program is the Ministry of Ocean and Fishery.¹⁵⁹ According to the GOK, POSCO constructed port facilities and transferred its ownership to the Korean government under Korean law.¹⁶⁰ In return, POSCO was exempted from the port usage fee to offset the amount that it had invested until the exempted fee amount reaches POSCO’s investment amount for the port construction.¹⁶¹

Consistent with prior segments of this proceeding, we preliminarily determine that a financial contribution exists in the form of revenue forgone, as described under section 771(5)(D)(ii) of the Act, and confers a benefit pursuant to section 771(5)(E) of the Act and 19 CFR 351.509(a). Further, because the number of companies that were approved and received assistance under this program is limited in number, we preliminarily determine that this program is *de facto* specific under 771(5A)(D)(iii)(I) of the Act, because the actual recipients of the subsidy are limited in number.¹⁶²

¹⁵⁴ See POSCO’s Letter, “Certain Cold-Rolled Steel Flat Products from the Republic of Korea, Case No. C-580-882: POSCO’s Response to the Third Supplemental Questionnaire, dated October 2, 2019 (POSCO 3rd Supplemental QR) at Exhibits POSCO C-16, Chemtech C-10, P&S C-8, M-Tech C-3, and Plantec C-2.

¹⁵⁵ As discussed in the “Attribution of Subsidies” section above, PDC exported subject merchandise produced by POSCO to the United States during the POR. Pursuant to 19 CFR 351.525(c), we are cumulating benefits from subsidies provided to PDC with benefits from subsidies provided to POSCO. Hereafter, we will refer to this calculation as the “trading company methodology.”

¹⁵⁶ See POSCO Preliminary Calculation Memorandum.

¹⁵⁷ See POSCO Initial QR at 73 and Exhibit H-3.

¹⁵⁸ See GOK Supplemental QR at Appendix 1 at 8.

¹⁵⁹ *Id.*

¹⁶⁰ *Id.*

¹⁶¹ *Id.* at Appendix 1 at 8-9 and 14.

¹⁶² *Id.* at Appendix 1 at 16.

The names of the ports in which POSCO participated in constructing are business proprietary and, thus, cannot be disclosed in this decision memorandum.¹⁶³ However, Commerce generally treats each port program as a separate program.¹⁶⁴ To calculate the net subsidy rate for each program, we divided the total benefit received during the POR by POSCO's total POR sales. On this basis, we determine the collective net subsidy rate that POSCO received during 2017 to be 0.08 percent *ad valorem*.¹⁶⁵

12. Electricity Discounts under Trading of Demand Response Resources (DRR) Program

Hyundai Steel and POSCO used the DRR Program during the POR.¹⁶⁶ The legal basis for this program is Article 31(5) of the Electricity Business Law (EBL) and Chapter 12 of the Rules on Operation of Electricity Utility Market (ROEUM).¹⁶⁷ Chapter 12 of the ROEUM governs the program's operations, the purpose of which is to smooth imbalances between the supply and demand of power provision by creating a competitive marketplace for the price of demand response resources.¹⁶⁸ The program is divided into two sub-programs, Demand Response Peak Curtailment and Demand Response Program for Payment Savings. The former program is designed to curtail load during peak electricity demand periods, and the latter is intended to minimize power generation costs through price competition.¹⁶⁹ The Korean Power Exchange (KPX) operates both programs.¹⁷⁰ KPX is majority-owned by the Korea Electric Power Corporation (KEPCO), which is, in turn, majority-owned by the GOK.¹⁷¹ Commerce previously determined that this program was countervailable.¹⁷²

Consistent with our prior findings, we preliminarily find KEPCO to be an "authority" within the meaning of section 771(5)(B) of the Act.¹⁷³ Therefore, we determine that a financial contribution in the form of a direct transfer of funds from KPX is provided to companies participating in this program, under section 771(5)(D)(i) of the Act, and a benefit exists in the amount of the grant provided to POSCO and Hyundai Steel, in accordance with 19 CFR 351.504(a). Our findings in this regard are consistent with prior CVD proceedings involving Korea.¹⁷⁴

¹⁶³ For the details, see POSCO Preliminary Calculation Memorandum.

¹⁶⁴ See *Cold-Rolled 2016 Preliminary Results*, PDM at 27, unchanged in *Cold-Rolled 2016 Final Results*.

¹⁶⁵ See POSCO Preliminary Calculation Memorandum.

¹⁶⁶ See Hyundai Steel Initial QR at III-29 and Exhibit GRANTS-13; see also GOK Initial QR at 254; POSCO Initial QR at 40-41, 46-47, and Exhibits C-11 and F-3; POSCO 3rd Supplemental QR Exhibit POSCO F-6, PDC Initial QR at 30 and Exhibit C-2; POSCO Chemtech Initial QR at 22 and Exhibit C-4; POSCO P&S Initial QR at 28 and Exhibit C-4; and POSCO 2nd Supplemental QR Part 1 at Exhibit Chemtech C-9.

¹⁶⁷ See *Cold-Rolled 2016 Preliminary Results*, PDM at 24-25, unchanged in *Cold-Rolled 2016 Final Results*.

¹⁶⁸ *Id.*

¹⁶⁹ *Id.*

¹⁷⁰ *Id.*

¹⁷¹ *Id.*

¹⁷² See *Cold-Rolled 2016 Final Results*, IDM at 10.

¹⁷³ See, e.g., *Cold-Rolled 2016 Preliminary Results*, PDM at 24-25, unchanged in *Cold-Rolled 2016 Final Results*.

¹⁷⁴ *Id.*

The GOK reported that there were no changes to this program during the POR.¹⁷⁵ Thus, consistent with our findings in prior segments of this proceeding, we preliminarily determine that this program is *de facto* specific within the meaning of section 771(5A)(D)(iii)(I) of the Act because the actual recipients of the subsidy are limited in number.¹⁷⁶ This program results in a financial contribution from the GOK to recipients in the form of revenue forgone, as described in section 771(5)(D)(ii) of the Act, and confers a benefit pursuant to section 771(5)(E) of the Act and 19 CFR 351.509(a).

Consistent with prior proceedings, to determine the countervailable subsidy rate under this program, we divided the total benefit received during the POR by the total POR sales of Hyundai Steel and POSCO. On this basis, we preliminarily determine the net subsidy rate under this program during the POR to be 0.06 percent *ad valorem* for Hyundai Steel and 0.02 percent *ad valorem* for POSCO.¹⁷⁷

13. Modal Shift Program

Hyundai Steel reported that it used this program and received grants during the POR.¹⁷⁸ The GOK established this grant program in 2010 in order to decrease greenhouse gas emissions in the transportation and logistics sector.¹⁷⁹ Specifically, through this program, the GOK aims to increase the transport volume by railroad and vessels, in order to decrease the transport volume by heavy freight motorized vehicles.¹⁸⁰ Under this program, the Ministry of Land, Infrastructure, and Transport of the GOK provides grants to administering agencies for truck-to-rail “modal shift” entities, and the Ministry of Oceans and Fisheries of the GOK provides grants to administering agencies for truck-to-marine freight “modal shift” entities. This program is established and operated under Article 21 of the Sustainable Transportation Logistics Development Act, Article 24 of its Enforcement Decree, and Article 9 of the Regulations on Modal Shift Agreement (MSA).¹⁸¹ Commerce has previously found this program to be countervailable.¹⁸²

We preliminarily determine that a financial contribution from the GOK exists in the form of a direct transfer of funds under section 771(5)(D)(i) of the Act. The GOK reported that there were no changes to this program during the POR.¹⁸³ Because the number of companies that received assistance under this program was limited in number, pursuant to section 771(5A)(D)(iii)(I) of

¹⁷⁵ See GOK Initial QR at 17. This finding is consistent with *CTL Plate from Korea 2017*, the POR of which also covered the calendar year 2017. See *CTL Plate from Korea 2017 Preliminary Results*, PDM at 6-8, unchanged in *CTL Plate from Korea 2017 Final Results*, IDM at 4.

¹⁷⁶ See *Cold-Rolled 2016 Preliminary Results*, PDM at 24-25, unchanged in *Cold-Rolled 2016 Final Results*, IDM at 10; see also *CTL Plate from Korea 2017 Final Results*.

¹⁷⁷ See POSCO Preliminary Calculation Memorandum.

¹⁷⁸ See Hyundai Steel Initial QR at 29.

¹⁷⁹ See *Cold-Rolled 2016 Preliminary Results*, PDM at 26-27, unchanged in *Cold-Rolled 2016 Final Results*.

¹⁸⁰ *Id.*; see also GOK Initial QR at Modal 1-2.

¹⁸¹ See GOK Initial QR at Modal-1.

¹⁸² See *Cold-Rolled 2016 Preliminary Results*, PDM at 26-27, unchanged in *Cold-Rolled 2016 Final Results*, IDM at 10.

¹⁸³ See GOK Initial QR at 16.

the Act, we preliminarily determine that this program is *de facto* specific under section 771(5A)(D)(iii)(I) of the Act.¹⁸⁴

We preliminarily determine that a benefit exists in the amount of the grant received by Hyundai Steel during the POR. To calculate the net countervailable subsidy rate for the POR, we divided the benefit received during the POR by Hyundai Steel's total POR sales. Accordingly, we preliminarily determine the net subsidy rate that Hyundai Steel received under this program is 0.01 percent *ad valorem*.

B. Programs Preliminarily Determined to be Not Used or Not to Confer a Measurable Benefit

Hyundai Steel

1. Provision of Port Usage Rights at the Port of Incheon

We initiated an investigation of the provision of port usage rights at the port of Incheon with respect to Hyundai Steel, based on a NSA filed by the petitioners. Hyundai Steel reported receiving benefits under this program. However, because the net subsidy rate calculated based on the amount of the benefit is not measurable, we have not examined the countervailability of this program.¹⁸⁵

2. KEXIM Bank Import Financing
3. KEXIM Short-Term Export Credits
4. KEXIM Export Factoring
5. KEXIM Export Loan Guarantees
6. KEXIM Loan Guarantees for Domestic Facility Loans
7. KEXIM Trade Bill Rediscounting Program
8. KEXIM Overseas Investment Credit Program
9. KDB and IBK Short-Term Discounted Loans for Export Receivables
10. Loans under the Industrial Base Fund
11. K-SURE Export Credit Guarantees
12. K-SURE Short-Term Export Credit Insurance
13. Long-Term Loans from KORES and KNOC
14. Clean Coal Subsidies
15. GOK Subsidies for "Green Technology R&D" and its Commercialization
16. Support for SME "Green Partnerships"
17. Tax Deduction under RSTA Article 10(1)(1)

¹⁸⁴ See, e.g., *Cold-Rolled 2016 Preliminary Results*, PDM at 26-27, unchanged in *Cold-Rolled 2016 Final Results*, IDM at 10; see also *Non-Oriented Electrical Steel from the Republic of Korea: Final Negative Countervailing Duty Determination and Final Negative Critical Circumstances Determination*, 79 FR 61605 (October 14, 2014), and accompanying IDM at 26-27; *Welded Line Pipe from the Republic of Korea: Final Negative Countervailing Duty Determination*, 80 FR 61365 (October 13, 2015), and accompanying IDM at 36 ("The SAA notes: "the Administration intends to apply the specificity test in light of its original purpose, which is to function as an initial screening mechanism to winnow out only those foreign subsidies which truly are broadly available and widely used throughout an economy."); and SAA, H.R. Doc. No. 103-316 (1994) at 929.

¹⁸⁵ See Hyundai Steel Preliminary Calculation Memorandum.

18. RSTA Article 10(1)(2)
19. RSTA Article 11
20. RSTA 104(14)
21. RSLTA Articles 19, 31, 46, 84, LTA 109, 112, and 137
22. Tax Reductions and Exemptions in Free Economic Zones
23. Grants and Financial Support in Free Economic Zones
24. Sharing of Working Opportunities/Employment Creating Incentives
25. R&D Grants under ITIPA
26. GOK Infrastructure Investment at Incheon North Harbor
27. Machinery & Equipment (KANIST R&D) Project
28. Grant for Purchase of Electrical Vehicle
29. Power Business Law Subsidies
30. Provision of Liquefied Natural Gas (LNG) for LTAR
31. Energy Savings Programs
 - Electricity Savings for Designated Period Program
 - Electricity Savings through the Bidding Process Program
 - Electricity Savings upon an Emergent Reduction Program
 - Electricity Savings through General Management Program
 - Management of the Electricity Load Factor Program
32. The GOK's Purchases of Electricity for MTAR
33. Incentives for Compounding and Prescription Cost Reduction
34. Incentives for Usage of Yeongil Harbor in Pohang City
35. VAT Exemptions on Imported Goods
36. Incentives for Usage of Gwangyang Port
37. Incentives for Natural Gas Facilities
38. Subsidies for Construction and Operation of Workplace Nursery
39. Subsidies for Hyundai Steel Red Angels Women's Football Club
40. Suncheon Harbor Port Usage Fee Exemptions
41. Seoul Guarantee Insurance
42. Subsidies for Pohang Art Festival
43. Other Transactions with Government Entities
44. Fast-Track Restructuring Program
45. Reduction for Sewerage Usage Fee

POSCO

1. KEXIM Short-Term Export Credits
2. KEXIM Export Factoring
3. KEXIM Export Loan Guarantees
4. KEXIM Trade Bill Rediscounting Program
5. KEXIM Import Financing
6. KEXIM Overseas Investment Credit Program
7. KEXIM Loan Guarantees for Domestic Facility Loans
8. KEXIM Bankers Usance
9. KDB and Other Policy Banks's Short-Term Discounted Loans for Export Receivables
10. Long-Term Loans from the KORES and KNOC

11. K-SURE Export Credit Guarantees
12. K-SURE Short-Term Export Credit Insurance
13. RSTA Article 10(1)(3): Tax Reduction for Research and Human Resources Development
14. RSTA Article 22: Tax Exemption on Investment in Overseas Resources Development
15. RSTA Article 24: Tax Credit for Investment for Productivity Increase Facilities
16. RSTA Article 25: Tax Credit for Investment in Facilities for Environment or Safety
17. RSTA Article 25(3): Tax Credit for Investment in Environmental and Safety Facilities
18. RSTA Article 120: Exemption of the Acquisition Tax
19. Research, Supply, or Workforce Development Investment Tax Deduction for “New Growth Engines” under RSTA Article 10(1)(1)
20. Research, Supply, or Workforce Development Expense Tax Deductions for “Core Technologies” under RSTA Article 10(1)(2)
21. Asset Revaluation under Article 56(2) of the TERCL
22. RSTA Article 30: Special Depreciation Tax Credit
23. RSTA Article 104(14): Third Party Logistics Operation
24. RSTA Article 104(5): Special Tax Credit for Payment Records
25. Energy Savings Program
 - Electricity Savings for Designated Period Program
 - Electricity Savings through the Bidding Process Program
 - Electricity Savings upon an Emergent Reduction Program
 - Electricity Savings through General Management Program
 - Energy Savings Program: Utilization of Capability of the Private Sector
 - Energy Savings Program: In Accordance with Prior Announcement
 - Energy Savings Program: Intelligent Electricity Savings
 - Energy Savings Program: Support for Instruments with High Energy Efficiencies
 - Energy Savings Program: Management of the Electricity Load Factor Program
26. Modal Shift Program
27. Power Generation Price Difference Payments
28. Suncheon Harbor
29. Daewoo International Corporation’s (DWI’s) Debt Workout
30. Tax Reductions and Exemptions in Free Economic Zones
31. Exemptions and Reductions of Lease Fees in Free Economic Zones
32. Grants and Financial Support in Free Economic Zones
33. The GOK Purchases Electricity from Cold-Rolled Producers for MTAR
34. Reimbursement on Construction Costs for Facilities at Incheon Harbor
35. Provision of LNG for LTAR
36. Dongbu Debt Restructuring
37. Special Accounts for Energy and Resources (SAER) Loans
38. Loans under the Industrial Base Fund
39. GOK Subsidies for “Green Technology R&D” and its Commercialization
40. Support for SME “Green Partnerships”
41. Sharing of Working Opportunities/Employment Creating Incentives
42. Various Government Grants Contained in Financial Statements
43. RSLTA Articles 19, 31, 46, 47-2, 84, 109, and 112
44. GOK Infrastructure Investment at Incheon North Harbor

45. Machinery & Equipment (KANIST R&D) Project
46. Grants for Purchase of Electrical Vehicle
47. Power Business Law Subsidies
48. Clean Coal Subsidies
49. Incentives for Compounding and Prescription Cost Reduction
50. Subsidies for Employment Security during Period of Childbirth and Childcare
51. Incentives for Usage of Yeongil Harbor in Pohang City
52. VAT Exemptions on Imported Goods
53. Import Duty Exemptions
54. Incentives for Usage of Gwangyang Port
55. Incentives for Natural Gas Facilities
56. Subsidies for Construction and Operation of Workplace Nursery
57. Subsidies for Hyundai Steel Red Angels Women's Football Club
58. Co-existence Project for Large- Medium- Small Enterprises as Energy Companies
59. One Company for One Street Clean Management Agreement
60. Support for Smoking Cessation Treatment
61. Seoul Guarantee Insurance
62. Purchase of Land from Government Entities
63. Fast-Track Restructuring Program
64. Grants from the Korea Agency for Infrastructure Technology Advancement
65. Land Purchases at Asan Bay
66. Discount of Expenses for Wastewater Reclamation and Reusing System
67. Discount on Expenses for Water Usage
68. Discount of Electricity Fee for Energy Storage System
69. Pre-1992 Directed Credit Loans
70. Supporting on Projects under Center for Creative Economy and Innovation
 - Job Experience Program for Job-Seekers
 - Idea Competition for Venture Business
 - Operating Expense for Projects to Support SMEs
 - Project for Supporting SME's Startups
71. Provision of Medical Services
72. Compensation for Moving Cost
73. Vocational Skills Development
74. Vocational Skills Development for Non-POSCO Employees
 - Corporate University
 - Work and Learn Program
 - Consortium Project
 - Support for Job-Seekers
 - Operating Council for Cooperation with SMEs
75. Other Assistance in the AUL Period
76. VAT Tax Deductions Due to Bad Debt
77. RSTA Article 29(4): Tax Credit for Corporations that Increase Earned Income
78. RSTA Article 104(8)(1): Tax Credit for Electronic Returns
79. Support for Inducement of Tourists
80. Assistance for Medical Business Research
81. Assistance for Small Entrepreneurs in the Cosmetic Industry

82. LTA Articles 109, 112, and 145

83. Reimbursement of Operating Expenses for the Consultative Counsel of Consigned Enterprises

84. Other Port Usage Fee Exemption Programs

IX. 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

11/1/2019

X



Signed by: JEFFREY KESSLER

Jeffrey I. Kessler
Assistant Secretary
for Enforcement and Compliance