



C-580-879

Administrative Review
POR: 01/01/2018 - 12/31/2018

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November 17, 2020

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; 2018: Certain
Corrosion-Resistant Steel 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 corrosion-resistant steel products (CORE) from the Republic of Korea (Korea) for the period of review January 1, 2018 through December 31, 2018 (POR). This review covers 41 producers/exporters of subject merchandise. Commerce selected Hyundai Steel Company (Hyundai Steel) and Dongbu Steel Co., Ltd. (Dongbu Steel)/Dongbu Incheon Steel Co., Ltd. (Dongbu Incheon) (collectively, Dongbu) as mandatory respondents. We preliminarily determine that producers/exporters of subject merchandise received above *de minimis* countervailable subsidies.

II. BACKGROUND

On July 25, 2016, Commerce published the *CORE Order* in the *Federal Register*.¹ On July 1, 2019, Commerce published a notice of opportunity to request an administrative review of the *CORE Order*.² On July 31, 2019, the petitioners³ timely filed a request for review of the *CORE Order* for the following 37 firms and their subsidiaries or affiliates:⁴ (1) AJU Steel Co. Ltd.; (2) Anjeon Tech; (3) Benison Korea Transport; (4) Core International; (5) Cs Global Logistics; (6)

¹ See *Certain Corrosion-Resistant Steel Products from India, Italy Republic of Korea and the People's Republic of China: Countervailing Duty Order*, 81 FR 48387 (July 25, 2016) (*CORE Order*).

² See *Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity to Request Administrative Review*, 84 FR 31295 (July 1, 2019).

³ The petitioners are AK Steel Corporation, California Steel Industries, Inc.; Steel Dynamics Inc.; ArcelorMittal USA LLC; Nucor Corporation (Nucor); and United States Steel Corporation (U.S. Steel).

⁴ The petitioners did not identify the subsidiaries or affiliates.



Dai Yang Metal Co, Ltd.; (7) Dongbu Incheon Steel Co., Ltd. (8) Dongbu Steel Co, Ltd.; (9) GS Global Corp.; (10) Hanwa (Korea) Co., Ltd.; (11) Hebei Hongxing Auto Made; (12) Hyundai Steel Co., Ltd.; (13) Integris; (14) Jeongwha Polytech; (15) Joo Sung Sea And Air Co., Ltd.; (16) KC Tech; (17) Kima Steel Corporation; (18) Korea Clad Tech; (19) Kyoungdo Steel Co., Ltd.; (20) Market Connect Sales Services; (21) Milestone Korea Co., Ltd.; (22) POSCO; (23) POSCO C&C; (24) POSCO Daewoo Corp.; (25) Qingdao Wangbaoqiang; (26) Roser Co., Ltd.; (27) Samsung C&T Corporation; (28) Sanglim Steel; (29) SeAH Steel; (30) Sejung Shipping Co., Ltd.; (31) Seun Steel; (32) Shandongsheng Cao Xian Yalu Mftd; (33) Sung A Steel; (34) TCC Steel Co., Ltd.; (35) Young Heung Iron and Steel Co., Ltd.; (36) Young Steel Korea Co., Ltd.; and (37) Young Sun Steel Co.⁵ On July 26, 2019, we received a timely request for administrative review from Hyundai Steel for review of itself.⁶ On July 31, 2019, we received a timely request for administrative review from POSCO, POSCO International Corporation, and POSCO Daewoo Corporation for review of themselves.⁷ On July 31, 2019, we received a timely request for administrative review from POSCO Coated & Color Steel Co., Ltd. (POSCO C&C), on behalf of itself.⁸

On July 31, 2019, we received a timely request from Hoa Sen Group (HSG) and Ton Dong A Corporation (TDA) for review of themselves.⁹ Both these companies note they are Vietnamese producers of CORE and subject to the *CORE Order* as determined in the *Preliminary Anti-circumvention Determination*.¹⁰ On July 31, 2019, we received a timely request from Mitsui & Co. (U.S.A.) Inc. (Mitsui) for review of HSG and TDA.¹¹ In its letter, Mitsui states that it has imported CORE products from Vietnam during the POR which are potentially subject to the *CORE Order* as a result of the *Preliminary Anti-circumvention Determination*, and is making its request for review for purposes of an assessment rate and a new cash deposit rate. On July 31, 2019, we received a timely request from Stemcor USA Inc. (Stemcor) for review of HSG and TDA.¹² Stemcor states it is an importer of CORE from Vietnam subject to the *CORE Order*, and its request for review is to allow Commerce to determine a CVD rate for the POR and a new cash deposit rate for future entries. Similarly, on July 31, 2019, we received a timely request from Metal One America, Inc. (Metal One) for review of Nippon Steel and Sumikin Sales Vietnam Co., Ltd. (NSSVC), HSG, and TDA.¹³ Metal One states it is an importer of CORE from Vietnam subject to the *CORE Order*, and its request for review is to allow Commerce to determine a CVD rate for the POR and a new cash deposit rate for future entries.

On October 9, 2019, Stemcor and Metal One each notified Commerce that each of them did not import any CORE from Vietnam that were manufactured using hot-rolled steel (HRS) or cold-

⁵ See Petitioners' Letter, "Request for Administrative Review," dated July 31, 2019.

⁶ See Hyundai Steel's Letter, "Request for Administrative Review," dated July 26, 2019.

⁷ See POSCO's Letter, "Administrative Review Request," dated July 31, 2019.

⁸ See POSCO C&C's Letter, "Administrative Review Request," dated July 31, 2019.

⁹ See HSG and TDA's Letter, "Review Request," dated July 31, 2019.

¹⁰ HSG and TDA cite to *Certain Corrosion-Resistant Steel Products from Republic of Korea: Affirmative Preliminary Determination of Anti-Circumvention Inquiries on the Antidumping Duty and Countervailing Duty Orders*, 84 FR 32871 (July 10, 2019) (*Preliminary Anti-circumvention Determination*), and accompanying Preliminary Decision Memorandum.

¹¹ See Mitsui's Letter, "Request for Administrative Review," dated July 31, 2019.

¹² See Stemcor's Letter, "Stemcor's Request for Administrative Review," dated July 31, 2019.

¹³ See Metal One's Letter, "Metal One America, Inc.'s Request for Administrative Review," dated July 31, 2019.

rolled steel (CRS) substrate originating in Korea and, thus, their imports were not within the scope of the anti-circumvention inquiry and should be liquidated without regard to the CORE antidumping duty (AD)/CVD orders.¹⁴

On October 9, 2019 TDA filed a letter of no shipment certifying it had no entries, exports, or sales of subject merchandise containing Korean substrate into the United States during the POR, requesting Commerce to rescind the review.¹⁵ On December 9, 2019 HSG withdrew its request for review, requesting Commerce rescind the review with respect to HSG.¹⁶

On September 9, 2019, Commerce initiated a CVD review of 41 companies.¹⁷ In the *Initiation Notice*, we stated that, in the event that we limited the number of respondents selected for individual examination, we intended to select respondents based on U.S. Customs and Border Protection (CBP) data for U.S. imports during the POR. On October 8, 2019, Commerce released CBP entry data, and provided interested parties until October 15, 2019, to submit comments on the data.¹⁸ No parties commented on the data. On December 10, 2019, Commerce selected Dongbu and Hyundai Steel as mandatory respondents in this administrative review.¹⁹

On December 13, 2019, Commerce issued the initial questionnaire to the Government of Korea (GOK), Hyundai Steel, and Dongbu.²⁰ Hyundai Steel and Dongbu each submitted their affiliation questionnaire responses on December 27, 2019.²¹ On January 27 and February 6, 2020, Hyundai Steel submitted its responses to Section III of Commerce's December 13, 2019 Initial Questionnaire.²² On February 10, 2020, Dongbu submitted its response to Section III of Commerce's December 13, 2019 Initial Questionnaire.²³ On February 6, 2020, the GOK submitted its response to Commerce's initial questionnaire.²⁴

On January 17, 2020, and February 24, 2020, respectively, the petitioners filed deficiency comments on Hyundai Steel and Dongbu's questionnaire responses.²⁵ On January 22, 2020,

¹⁴ See Stemcor's Letter, "Stemcor's Notice of No Circumventing Shipment during the Period of Review," dated October 9, 2019; see also Metal One's Letter, "Metal One's Notice of No Circumventing Shipment during the Period of Review," dated October 9, 2019.

¹⁵ See TDA's Letter, "No Shipment Letter," dated October 9, 2019.

¹⁶ See HSG's Letter, "Withdrawal of Review Request," dated December 9, 2019.

¹⁷ See *Initiation of Antidumping and Countervailing Duty Administrative Reviews*, 84 FR 47242 (September 9, 2019) (*Initiation Notice*).

¹⁸ See Memorandum, "Release of U.S. Customs Entry Data for Respondent Selection," dated October 8, 2019.

¹⁹ See Memorandum, "Respondent Selection," dated December 10, 2019.

²⁰ See Commerce's Letter, "Countervailing Duty Questionnaire," dated December 13, 2019.

²¹ See Hyundai Steel's December 27, 2019 Affiliation Questionnaire Response (Hyundai Steel's December 27, 2019 Affiliation QR); see also Dongbu's December 27, 2019 Affiliation Questionnaire Response (Dongbu's December 27, 2019 Affiliation QR).

²² See Hyundai Steel's January 27, 2020 Section III Initial Questionnaire Response (Hyundai Steel's January 27, 2020 Initial QR); see also Hyundai Steel's February 6, 2020 Section III Initial Questionnaire Response (Hyundai Steel's February 6, 2020 Initial QR).

²³ See Dongbu's February 10, 2020 Section III Initial Questionnaire Response (Dongbu's February 10, 2020 Initial QR).

²⁴ See GOK's February 6, 2020 Initial Questionnaire Response (GOK's February 6, 2020 Initial QR).

²⁵ See Petitioners' Letters, "Comments on Hyundai Steel's Affiliated Companies Questionnaire Response," dated January 17, 2020; and "Comments on Dongbu's Initial Questionnaire Response," dated February 24, 2020.

Hyundai Steel filed rebuttal comments.²⁶ On March 26, 2020, the petitioners filed comments regarding Dongbu's creditworthiness and equityworthiness.²⁷ We issued supplemental questionnaires to the GOK, Hyundai Steel, and Dongbu, and each party filed their responses timely.²⁸ On October 23, 2020, the petitioners submitted comments with regard to Dongbu's extension request.²⁹

On March 2, 2020, the petitioners submitted a timely new subsidy allegation (NSA) that Korean CORE producers benefitted from subsidized electricity during the POR.³⁰ On March 27, 2020, the GOK, Hyundai Steel, and Dongbu each rebutted the petitioners NSA.³¹ On April 7, 2020, the petitioners filed a reply to Hyundai Steel and Dongbu's rebuttals.³² On November 17, 2020, Commerce released its decision memorandum regarding the petitioners' NSA.³³

On December 18, 2019, the petitioners timely filed a request for verification of respondents Hyundai Steel, Dongbu, and the GOK, claiming good cause likely exists for Commerce to verify the parties.³⁴

On March 19, 2020, Commerce extended the deadline for the preliminary results of this review.³⁵ On April 24, 2020, Commerce tolled all deadlines in administrative reviews by 50 days.³⁶ On July 21, 2020, Commerce tolled all deadlines in administrative reviews by an

²⁶ See Hyundai Steel's Letter, "Rebuttal Comments to Nucor Corporation's Comments on Hyundai Steel's Affiliation Questionnaire Response," dated January 22, 2020.

²⁷ See Petitioners' Letter, "Comments Regarding Dongbu's Creditworthiness and Equityworthiness," dated March 26, 2020.

²⁸ See GOK's Letters, "Supplemental Questionnaire Response," dated October 16, 2020 (GOK's October 16, 2020 SQR1-1); "Supplemental Questionnaire Additional Response," dated October 21, 2020; "Additional Response to Question 11(8) of the Supplemental Questionnaire," dated October 23, 2020; "Exhibits Translations of the Supplemental Questionnaire Response," dated October 28, 2020; "Second Supplemental Questionnaire Response," dated November 4, 2020 (GOK's November 4, 2020 SQR2-1); "Translations of Exhibits in the Second Supplemental Questionnaire Response," dated November 6, 2020 (GOK's November 6, 2020 SQR2-2); *see also* Dongbu's Letters, "Dongbu's First Supplemental Response," dated October 15, 2020; and "Dongbu's Response to Question 7 of First Supplemental Questionnaire," dated October 26, 2020; and Hyundai Steel's Letters, "Hyundai Steel's First Supplemental Questionnaire Response," dated October 16, 2020; "Hyundai Steel's Second Supplemental Questionnaire Response," dated October 30, 2020; "Hyundai Steel's Response to Questions 2.a and 2.b of Second Supplemental Questionnaire," dated November 4, 2020 (Hyundai Steel's November 4, 2020 SQR2-2).

²⁹ See Petitioners' Letter, "Response to Dongbu's Extension Request," dated October 23, 2020.

³⁰ See Petitioners' Letter, "Petitioners' New Subsidy Allegation," dated March 2, 2020.

³¹ See GOK's Letter, "Response to Petitioners' New Subsidy Allegation," dated March 27, 2020; *see also* Hyundai Steel's Letter, "Hyundai Steel's Response to Petitioners' New Subsidy Allegations," dated March 27, 2020; and Dongbu's Letter, "Dongbu's Response to Petitioners' New Subsidy Allegation," dated March 27, 2020.

³² See Petitioners' Letter, "Reply to Response of Dongbu and Hyundai Steel to Petitioners' New Subsidy Allegations," dated April 7, 2020.

³³ See Memorandum, "New Subsidy Allegation," dated November 17, 2020.

³⁴ See Petitioners' Letter, "Request for Verification," dated December 18, 2019.

³⁵ See Memorandum, "Extension of Deadline for Preliminary Results of Countervailing Duty Administrative Review – 2018," dated March 19, 2020.

³⁶ See Memorandum, "Tolling of Deadlines for Antidumping and Countervailing Duty Administrative Reviews in Response to Operational Adjustments Due to COVID-19," dated April 24, 2020.

additional 60 days.³⁷ The revised deadline for the preliminary results is now November 17, 2020.

The current due date for NSSVC, HSG, and TDA to respond to our November 16, 2020 questionnaire with regard to their U.S. entries, is November 23, 2020.³⁸ We will analyze their responses and make a determination on whether to rescind our review of these companies after the preliminary results.

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 period of review (POR) is January 1, 2018 through December 31, 2018.

IV. SCOPE OF THE ORDER

The products covered by this order are certain flat-rolled steel products, either clad, plated, or coated with corrosion-resistant metals such as zinc, aluminum, or zinc-, aluminum-, nickel- or iron-based alloys, whether or not corrugated or painted, varnished, laminated, or coated with plastics or other non-metallic substances in addition to the metallic coating. The products covered include coils that have a 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:

- (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.

³⁷ See Memorandum, “Tolling of Deadlines for Antidumping and Countervailing Duty Administrative Reviews,” dated July 21, 2020.

³⁸ See Commerce’s Letter, “Corrosion-Resistant Steel from the Republic of Korea - Administrative Review Questionnaire,” dated November 16, 2020.

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 and high strength low alloy (“HSLA”) steels. 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.

Furthermore, this scope also includes Advanced High Strength Steels (“AHSS”) and Ultra High Strength Steels (“UHSS”), both of which are considered high tensile strength and high elongation steels.

Subject merchandise also includes corrosion-resistant 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 order if performed in the country of manufacture of the in-scope corrosion resistant 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:

- Flat-rolled steel products either plated or coated with tin, lead, chromium, chromium oxides, both tin and lead (“terne plate”), or both chromium and

- chromium oxides (“tin free steel”), whether or not painted, varnished or coated with plastics or other non-metallic substances in addition to the metallic coating;
- Clad products in straight lengths of 4.7625 mm or more in composite thickness and of a width which exceeds 150 mm and measures at least twice the thickness; and
- Certain clad stainless flat-rolled products, which are three-layered corrosion-resistant flat-rolled steel products less than 4.75 mm in composite thickness that consist of a flat-rolled steel product clad on both sides with stainless steel in a 20%-60%-20% ratio.

The products subject to the order are currently classified in the Harmonized Tariff Schedule of the United States (“HTSUS”) under item numbers: 7210.30.0030, 7210.30.0060, 7210.41.0000, 7210.49.0030, 7210.49.0091, 7210.49.0095, 7210.61.0000, 7210.69.0000, 7210.70.6030, 7210.70.6060, 7210.70.6090, 7210.90.6000, 7210.90.9000, 7212.20.0000, 7212.30.1030, 7212.30.1090, 7212.30.3000, 7212.30.5000, 7212.40.1000, 7212.40.5000, 7212.50.0000, and 7212.60.0000.

The products subject to the order may also enter under the following HTSUS item numbers: 7210.90.1000, 7215.90.1000, 7215.90.3000, 7215.90.5000, 7217.20.1500, 7217.30.1530, 7217.30.1560, 7217.90.1000, 7217.90.5030, 7217.90.5060, 7217.90.5090, 7225.91.0000, 7225.92.0000, 7225.99.0090, 7226.99.0110, 7226.99.0130, 7226.99.0180, 7228.60.6000, 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 selected companies, excluding rates that are zero, *de minimis*, or based entirely on facts available.³⁹ 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.

³⁹ See, e.g., *Certain Pasta from Italy: Final Results of the 13th (2008) Countervailing Duty Administrative Review*, 75 FR 37386, 37387 (June 29, 2010) (*Pasta from Italy*).

As indicated in the accompanying *Federal Register* notice of preliminary results, dated concurrently with this Preliminary Decision Memorandum, we preliminarily determine that Hyundai Steel and Dongbu received countervailable subsidies that are above *de minimis*. Therefore, we are applying to the non-selected companies the weighted-average of the net subsidy rates calculated for Hyundai Steel and Dongbu using publicly ranged sales data submitted by the respondents.⁴⁰

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.⁴¹

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.⁴²

⁴⁰ See Memorandum, “Preliminary Results Calculations of Subsidy Rate for Non-Selected Companies Under Review,” dated concurrently with this memorandum.

⁴¹ See U.S. Internal Revenue Service Publication 946 (2008), “How to Depreciate Property,” at Table B-2: Table of Class Lives and Recovery Periods.

⁴² See *Fabrique de Fer de Charleroi v. United States*, 166 F. Supp. 2d 593, 600-604 (CIT 2001).

Dongbu reported that, during the POR, with the exception of Dongbu Incheon which is a producer of subject merchandise none of its other affiliates produced subject merchandise or supplied an input product to Dongbu or Dongbu Incheon for the production of the downstream product, and that Dongbu is not a subsidiary of any company.⁴³ Thus, it has no parent company or holding company, and no cross-owned input suppliers. Accordingly, Dongbu responded to the initial questionnaire with regard to Dongbu Steel and Dongbu Incheon. Therefore, pursuant to 19 CFR 351.525(b)(6)(ii), we attributed subsidies received by Dongbu Steel and/or Dongbu Incheon to the sales of both companies.

Hyundai Steel reported that it is a publicly traded company engaged in the production and sale of steel products, including CORE. Hyundai Steel reported that it is not a subsidiary of any other company and it has no parent or holding company.⁴⁴ Hyundai Steel provided a full response on behalf of itself, and for companies acquired prior to the POR, Hyundai Hysco, and SPP Yulchon Energy.⁴⁵ Consistent with prior proceedings,⁴⁶ and 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.

C. Benchmarks and Discount Rates

Short-Term U.S. Dollar-Denominated Loans

Hyundai Steel and Dongbu reported receiving short-term import financing from the Korea Export-Import Bank (KEXIM) during the POR.⁴⁷ 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. Consistent with 19 CFR 351.505(a)(2), we preliminarily determine that some of those loans constitute comparable commercial loans, and it is appropriate to use these loans to calculate a weighted-average benchmark interest rate.⁴⁸

⁴³ See Dongbu's December 27, 2019 Affiliation QR at 6-7.

⁴⁴ See Hyundai Steel's December 27, 2019 Affiliation QR at 4.

⁴⁵ See Hyundai Steel's December 27, 2019 Affiliation QR at 4 and 20; and Hyundai Steel's January 27, 2020 Initial QR.

⁴⁶ See *Certain Corrosion-Resistant Steel Products from the Republic of Korea: Preliminary Results of Countervailing Duty Administrative Review, Rescission of Review, In Part, and Intent to Rescind, In Part; 2015-16*, 83 FR 39671 (August 10, 2018), and accompanying Preliminary Decision Memorandum (PDM) at "Attribution of Subsidies," unchanged in *Certain Corrosion-Resistant Steel Products from the Republic of Korea: Final Results and Partial Rescission of Countervailing Duty Administrative Review; 2015-2016*, 84 FR 11749 (March 28, 2019) (*CORE First Admin Review*), and accompanying IDM at "Attribution of Subsidies"; see also *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 accompanying PDM at "Attribution of Subsidies," unchanged in *Certain Corrosion-Resistant Steel Products from the Republic of Korea: Final Results of Countervailing Duty Administrative Review; 2017*, 85 FR 15112 (March 17, 2020) (*CORE Second Admin Review*), and accompanying IDM at "Attribution of Subsidies."

⁴⁷ See Dongbu's February 10, 2020 Initial QR at 15-16; see also Hyundai Steel's February 6, 2020 Initial QR at 14.

⁴⁸ See Memorandum, "Calculations for the Preliminary Results: Hyundai Steel Company," dated concurrently with this memorandum (Hyundai Steel's Preliminary Calculation Memorandum); see also Memorandum, "Calculation for the Preliminary Results: Dongbu Steel Co., Ltd./Dongbu Incheon Steel Co., Ltd.," dated concurrently with this memorandum (Dongbu's Preliminary Calculation Memorandum).

In addition, Dongbu received loans under the Korea Development Bank (KDB) short-term discounted loan program and the debt restructuring program during the POR.⁴⁹ Dongbu provided information about short-term loans from commercial banks for consideration as comparable commercial loans for purposes of identifying a short-term loan interest rate benchmark. Consistent with 19 CFR 351.505(a)(2), we preliminarily determine that some of those loans constitute comparable commercial loans and it is appropriate to use these loans to calculate a weighted-average short-term loan benchmark interest rate.⁵⁰

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

During the POR, Dongbu had outstanding countervailable long-term Korean won-denominated loans from government-controlled banks. As benchmarks for countervailable, 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 1991.⁵¹ This is the approach Commerce has taken in several prior Korean CVD proceedings.⁵² 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.⁵³ 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 prior Korean CVD proceedings.⁵⁴ 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. Dongbu also had restructured long-term debts/loans and received new long-term financing under the debt restructuring program. In addition, as we preliminarily find that Dongbu was uncreditworthy during the POR, *see below*, we added a risk premium to the benchmark rate in accordance with 19 CFR 351.505(a)(3)(iii), to measure Dongbu's countervailable long-term debts/loans during the POR.

⁴⁹ See Dongbu's February 10, 2020 Initial QR at 14-17.

⁵⁰ See Dongbu's Preliminary Calculation Memorandum.

⁵¹ 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) (*SS Plate from Korea*), and Memorandum "Analysis Memorandum on the Korean Domestic Bond Market," dated March 9, 1999.

⁵² See, e.g., *SS Plate from Korea*, and "Analysis Memorandum on the Korean Domestic Bond Market" (March 9, 1999); 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."

⁵³ 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).

⁵⁴ See, e.g., *CORE First Admin Review* IDM at "Benchmark for Long Term Loans"; see also *CORE Second Admin Review* IDM at "Benchmark Interest Rates."

D. Creditworthiness

In the underlying investigation and the prior administrative reviews, we investigated Dongbu's Debt Restructuring Program and found this program to be countervailable.⁵⁵ We are reviewing this Debt Restructuring Program in this segment of the proceeding. Participation in this program allowed Dongbu to restructure certain existing loans, corporate bonds, and L/C Usance loans, and to convert certain of Dongbu's debt into equity.⁵⁶

Commerce will consider a company to be uncreditworthy if the Secretary determines that, based on information available at the time of the government-provided loan, the firm could not have obtained long-term loans from conventional commercial sources.⁵⁷ In the original investigation and the prior administrative reviews, we found Dongbu to be uncreditworthy from 2014 to 2017.⁵⁸

Because no new information has been submitted to cause Commerce to reevaluate its determinations with respect to Dongbu's creditworthiness in the original investigation and the prior administrative reviews, we continue to find Dongbu to have been uncreditworthy from 2014 to 2017. Additionally, Commerce has preliminarily determined that there is a reasonable basis to believe Dongbu was uncreditworthy during the POR, pursuant to 19 CFR 351.505(a)(6). Similar to our findings during the original investigation and the prior administrative reviews, the record demonstrates that Dongbu did not obtain any long-term loans from conventional commercial sources in 2018; Dongbu's financial indicators, its past and present ability to meet its costs and fixed financial obligations with its cash flow, and Dongbu's future financial position, have not changed since the period covered from the original investigation and the prior administrative reviews.⁵⁹ Dongbu's current ratio and quick ratio have not improved and continue to be below Commerce's benchmark during the POR. Dongbu's debt-to-equity ratio continues to be high and there is no evidence that Dongbu's future financial position is likely to grow stronger.⁶⁰ Therefore, pursuant to 19 CFR 351.505(a)(4), we will continue to find Dongbu to be uncreditworthy during the POR and countervail its restructured loans provided by the government policy banks during the POR using an uncreditworthiness benchmark with an added risk premium. Commerce found that the loans from the alleged private banks to Dongbu cannot constitute "comparable commercial loans" under 19 CFR 351.505(a)(2) due to the substantial government influence and the fact that they were part of a government program, therefore, these loans were unsuitable for benchmark purposes. Commerce continues to find that when a company has been found uncreditworthy, Commerce calculates a benchmark pursuant to the formula found in 19 CFR 351.505(a)(3)(iii).

⁵⁵ See *Countervailing Duty Investigation of Certain Corrosion-Resistant Steel Products from the Republic of Korea: Final Affirmative Determination, and Final Affirmative Critical Circumstances Determination in Part*, 81 FR 35310 (*CORE Investigation Final*), and accompanying IDM at "Debt Restructuring Program"; *CORE First Admin Review* IDM; and *CORE Second Admin Review* IDM.

⁵⁶ See Dongbu's February 10, 2020 Initial QR at 17.

⁵⁷ See 19 CFR 351.505(a)(4).

⁵⁸ See *CORE Investigation Final* IDM at Comment 6; *CORE First Admin Review*; and *CORE Second Admin Review*.

⁵⁹ See Dongbu's February 10, 2020 Initial QR at Exhibit B-9.

⁶⁰ See Dongbu's February 10, 2020 Initial QR at Exhibit 7-A, Dongbu's Financial Statements ending December 31, 2018, FN 42, "Significant Doubt on the Company's Ability to Continue as a Going Concern."

E. 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 Dongbu. For Dongbu, because the short-term discounted loans for export receivables have been found to be countervailable as an export subsidy, we have used the recipient's export sales as the denominator. In the section below, we describe the denominators we used to calculate the countervailable subsidy rates for the various subsidy programs.

VII. ANALYSIS OF PROGRAMS

A. Programs Preliminarily Determined to be Countervailable

1. Dongbu's Debt Restructuring

The GOK and Dongbu reported that among the nine creditor banks on the Dongbu Steel Creditor Banks Committee (Creditor Bank Committee) administering the Dongbu's Debt restructuring, the KDB, Korea Financial Corporation (KoFC), KEXIM, Woori Bank (Woori) and Industrial Bank of Korea (IBK) were government-controlled.⁶¹ The four remaining were private commercial banks (Nonghyup Bank, Shihan Bank, Hana Bank, Korea Exchange Bank).⁶² The KDB was the primary creditor bank of Dongbu.⁶³

The Creditor Bank Committee held a series of meetings during 2014 to resolve how to restructure Dongbu's debt. Dongbu reported that, on July 7, 2014, the first Creditor Bank Committee meeting was held which established the participation of the above listed nine banks in Dongbu's debt restructuring.⁶⁴ At the second meeting held on July 21, 2014, the Creditor Bank Committee approved certain emergency operating loans for Dongbu.⁶⁵ The Creditor Bank Committee then approved a debt restructuring plan which provided for:

- the restructuring of certain existing loans, corporate bonds, and L/C Usance loans and;
- the conversion of some of Dongbu's debt into equity.

a. Restructured Loans

In the investigation and prior administrative reviews, Commerce found that the GOK-controlled banks of the Dongbu Creditor Banks Committee are authorities under section 771(5)(B) of the Act and determined that under the debt restructuring the GOK-controlled policy banks provided

⁶¹ The Creditor Bank Committee consists of KDB; KoFC; KEXIM; Woori; IBK; Nonghyup Bank; Shihan Bank, Hana Bank; and Korea Exchange Bank. *See* GOK's February 6, 2020 Initial QR at 16-32.

⁶² *See* GOK's February 6, 2019 Initial QR at 16-32.

⁶³ *Id.*

⁶⁴ *See* Dongbu's January 4, 2020 Initial QR at 23.

⁶⁵ *Id.* at 24 and Exhibit A-14.

a financial contribution to Dongbu as defined under section 771(5)(D)(i) of the Act.⁶⁶ Commerce also found that this program is specific within the meaning of section 771(5A)(D)(iii)(I) of the Act, as the recipients of this special financing from the Creditor Banks Committee are limited in number. In the investigation and the prior administrative reviews, we calculated the benefit from these restructured loans from GOK-controlled banks by comparing the interest actually paid on the loans during the period of investigation (POI) or POR to what the company would have paid on a comparable loan during the POI or POR. Furthermore, as Commerce found Dongbu to be uncreditworthy at the time when the loans were restructured, Commerce calculated and used an uncreditworthy benchmark pursuant to the formula found in 19 CFR 351.505(a)(3)(iii).⁶⁷

Section 771(5)(B) of the Act defines an “authority” as a government of a country or any public entity within the territory of the country. We found in the final determination of the investigation and the first administrative review that KDB, KoFC, KEXIM, Woori, and IBK are majority government-owned policy banks, and no information has been provided on the record of the current review that would cause us to reach a different determination. Thus, we continue to find that the KDB, KoFC,⁶⁸ KEXIM, Woori, and IBK are government-owned policy banks.⁶⁹ As Commerce explained in *NOES from Korea* final, policy banks are created by a government in order to implement government industrial policies through the provision of financing to industries and enterprises; thus, a policy bank, by its very nature, is an authority under section 771(5)(B) of the Act.⁷⁰ Because each of the five GOK-controlled banks (*i.e.*, KDB, KoFC, KEXIM, Woori, and IBK) are policy banks, we preliminarily determine that they are authorities under section 771(5)(B) of the Act. We also preliminarily determine that, through the debt restructuring program, these five authorities provided a financial contribution to Dongbu, as defined under section 771(5)(D)(i) of the Act.

With respect to specificity, in the original investigation, we found that Dongbu was one of a very limited number of companies in 2014 that went through such government-assisted restructuring.⁷¹ Accordingly, we found this program to be specific within the meaning of section 771(5A)(D)(iii)(I) of the Act. In this instance, the debt restructuring of Dongbu was led by state-owned policy banks, with the lead bank, the KDB, having the key government policy role of bailing-out or restructuring troubled or failed corporations, which are limited in number.⁷² Dongbu and the GOK presented no new information that would lead us to reach a different

⁶⁶ See *Countervailing Duty Investigation of Certain Corrosion-Resistant Steel Products from the Republic of Korea: Preliminary Affirmative Determination*, 80 FR 68842 (November 6, 2015), and accompanying PDM at 13-14, unchanged in *CORE Investigation Final*.

⁶⁷ See *CORE First Admin Review* IDM; see also *CORE Second Admin Review* IDM at “Dongbu Debt Restructuring Program.”

⁶⁸ KDB and KoFC merged on January 1, 2015.

⁶⁹ See GOK’s February 6, 2020 Initial QR at 28-29.

⁷⁰ See *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) (*NOES from Korea*), and accompanying IDM at Comment 7.

⁷¹ See *CORE Investigation Final* IDM at 28.

⁷² *Id.*

conclusion.⁷³ Therefore, we continue to find that, because the actual recipients of financing through government-assisted restructuring are limited in number, this subsidy is specific within the meaning of section 771(5A)(D)(iii)(I) of the Act.

Under section 771(5)(E)(ii) of the Act, there is a benefit with respect to the provision of a loan if there is a difference between the amount the recipient of the loan pays on the loan and the amount the recipient would pay on a comparable commercial loan that the recipient could actually obtain on the market. While there were some private commercial banks involved in the debt restructuring of Dongbu, the restructuring of Dongbu's debt was not overseen by those private banks.⁷⁴ Instead, Dongbu's debt restructuring was controlled by the Creditor Bank Committee, which, in turn, was controlled by GOK policy banks, such as the KDB. Consistent with *Refrigerators from Korea*,⁷⁵ we preliminarily determine that the loans from private creditors on the Creditor Bank Committee cannot be construed to be "comparable commercial loans" and, thus, cannot be used as a commercial benchmark under section 771(5)(E)(ii) of the Act and 19 CFR 351.505(a)(2), because the Creditor Bank Committee is controlled by GOK-controlled policy, special purpose banks.

To determine the benefit conferred to Dongbu from these loans and loan restructuring during the POR, in accordance with 19 CFR 351.505(c)(2), we calculated the benefit from these loans by comparing the interest actually paid on the loans during the POR to the benchmarks as described in the "Benchmarks and Discount Rates" section above, during the POR. As explained in the "Creditworthiness" section of this memorandum, we preliminarily determine that Dongbu was uncreditworthy at the time when these loans were restructured. Therefore, we have adjusted the benchmark rate using the methodology set forth under 19 CFR 351.505(a)(3)(iii), by adding a risk premium to the discount rate. We then applied this benchmark to both Dongbu's restructured long-term loans and to the new loans it received during the POR. On this basis, we determined a net countervailable subsidy rate of 6.84 percent *ad valorem* in 2018 for Dongbu.⁷⁶

b. Debt-to-Equity Conversion

Dongbu and the GOK reported that Dongbu's creditors committee had two debt-to-equity conversions during the AUL period.⁷⁷ The first debt-to-equity conversion of 53 billion KWR took place in February 2015, and the second debt-to-equity conversion of 200 billion KWR took place on May 9, 2016.⁷⁸ As noted above, while Nonghyup Bank, Shihan Bank, Hana Bank, and Korea Exchange Bank were privately owned, the majority of the Creditor Bank Committee's members were government-controlled at the time of the equity conversion (*i.e.*, the KDB, KoFC, KEXIM, Woori Bank, and IBK),⁷⁹ As noted above, we find that the KDB, KEXIM, Woori

⁷³ See *Magnola Metallurgy, Inc. v. United States*, 508 F.3d 1349, 1354-56 (Fed. Cir. 2007) (affirming that in an administrative review, Commerce need not re-examine an affirmative finding of specificity that was made in a prior segment of the proceeding).

⁷⁴ *Id.*

⁷⁵ See *Bottom Mount Combination Refrigerator-Freezers from the Republic of Korea: Final Affirmative Countervailing Duty Determination*, 77 FR 17410 (March 16, 2012), and accompanying IDM at 111-14.

⁷⁶ See Dongbu's Preliminary Calculation Memorandum.

⁷⁷ See GOK's February 6, 2020 Initial QR at 26.

⁷⁸ *Id.*

⁷⁹ *Id.*

Bank, and IBK are “authorities” within the meaning of section 771(5)(B) of the Act. Their equity infusions constitute financial contributions within the meaning of section 771(5)(D)(i) of the Act.

Generally, in case of a government equity infusion, “a benefit exists to the extent that the investment decision is inconsistent with the usual investment practice of private investors.”⁸⁰ Commerce will consider a government equity infusion as being “inconsistent with usual investment practice if the price paid by the government for newly issued shares is greater than the price paid by private investors for the same (or similar form of) newly issued shares.”⁸¹ If private investor prices are available, then Commerce will compare the price paid by the government for the newly issued shares to the prices paid by the private investors for the same (or similar) newly issued shares. If private investor prices are unavailable, then Commerce may examine whether the respondent company was equityworthy at the time of the government-provided equity infusion.⁸²

The facts here are identical to those in the prior administrative reviews.⁸³ GOK-controlled policy banks and private commercial banks participated in the debt-to-equity conversions. Moreover, the private commercial banks⁸⁴ which participated in the two equity infusions at issue: (1) paid the same per share price as the government-controlled policy banks;⁸⁵ and (2) purchased a significant percentage of the shares of debt that were converted to equity.⁸⁶ On this basis, we preliminarily find that Dongbu’s equity infusions are consistent with usual investment practice of private investors. Therefore, we find there is no benefit from Dongbu’s debt-to-equity conversions.

2. Korea Development Bank (KDB) and Industrial Base Fund (IBF) Short-Term Discounted Loans for Export Receivables

Commerce has previously determined that short-term export financing in the form of discounted documents against acceptance (D/A) loans issued by the KDB and other GOK policy banks are countervailable.⁸⁷ During the POR, Dongbu received D/A financing from the KDB for its export of subject merchandise to the United States.⁸⁸ As described above, KDB is an authority under section 771(5)(B) of the Act.⁸⁹ Thus, Commerce preliminarily determines that the KDB operated as a wholly state-owned policy bank, and provided a financial contribution through a direct transfer of funds to the respondents under section 771(5)(D)(i) of the Act. We also preliminarily determine that KDB lending is specific, in accordance with sections 771(5A)(A)

⁸⁰ See 19 CFR 351.507(a)(1).

⁸¹ See 19 CFR 351.507 (a)(2).

⁸² See 19 CFR 351.507(a)(3).

⁸³ See *CORE First Admin Review* IDM; see also *CORE Second Admin Review* IDM at “Dongbu Debt Restructuring Program: Debt-to-Equity Conversion.”

⁸⁴ See GOK’s February 6, 2020 Initial QR at 26.

⁸⁵ *Id.*

⁸⁶ *Id.*

⁸⁷ See *Coated Free Sheet Paper from the Republic of Korea: Notice of Final Affirmative Countervailing Duty Determination*, 72 FR 60639 (October 17, 2007), and the accompanying IDM at 17-18; see also *CORE Investigation Final*; and *CORE First Admin Review*.

⁸⁸ See Dongbu’s January 4, 2019 Initial QR at 15.

⁸⁹ See *NOES from Korea* IDM at Comment 7.

and (B) of the Act, as the financing offered by the KDB is contingent upon export performance. A benefit within the meaning of section 771(5)(E)(ii) of the Act is conferred on the recipient to the extent that the recipient pays a lower interest rate on the loans than it would pay on a comparable short-term commercial loan.

Only Dongbu reported using this program. To calculate the benefit, we used the benchmarks described in the Benchmarks and Interest Rates section above, as well as the methodology described in 19 CFR 351.505(c), to calculate the interest that Dongbu would have paid on a comparable commercial loan during the POR and divided that benefit by Dongbu's total export sales of the subject merchandise to the United States during the POR. On this basis, we preliminarily determine that Dongbu received a countervailable subsidy rate of 0.03 percent *ad valorem*.⁹⁰

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

Hyundai Steel reported receiving tax exemptions under Article 78 of the RSLTA.⁹¹ 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 underdeveloped areas of the country.⁹² 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.⁹³ 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 program is administered by the local tax officials of the county where the industrial complex is located. The GOK reported there were no changes to this program during the POR.⁹⁴

Based on the above, 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 findings regarding specificity are consistent with prior Korean CVD proceedings.⁹⁵

⁹⁰ See Dongbu's Preliminary Calculation Memorandum.

⁹¹ See Hyundai Steel's February 6, 2020 Initial Questionnaire Response at 21 and Exhibit D-1.

⁹² See GOK's February 6, 2020 Initial QR at 96-117.

⁹³ *Id.*

⁹⁴ See GOK's October 16, 2020 SQR1-1 at 4.

⁹⁵ 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 Prelim*), and accompanying PDM at 8, 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*).

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.⁹⁶ 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. On this basis, we preliminarily determine the net subsidy rate under the Article 78 program for Hyundai Steel to be 0.02 percent *ad valorem* for 2018.⁹⁷ Dongbu reported it did not use this program during the POR.⁹⁸

4. Restriction of Special Taxation Act (RSTA) Article 25(2)

Hyundai Steel reported receiving tax deductions under RSTA Article 25(2).⁹⁹ The purpose of this program is to facilitate the enhancement of energy efficiency in business sectors through a deduction from income taxes payable. Commerce previously determined that this program was countervailable.¹⁰⁰ The GOK reported that there were no changes to this program during the POR.¹⁰¹

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 described in 19 CFR 351.509(a), effectively, the amount of the tax credit claimed. Regarding specificity, based on record evidence, we preliminarily determine there is no basis to find the program is limited, by law, to certain enterprises or industries under section 771(5A)(D)(i) of the Act. Therefore, we next examined whether the program is specific as a matter of fact under section 771(5A)(D)(iii) of the Act. Information from the GOK indicates that there were 740,215 corporate tax returns filed in 2018, of which 766 claimed the Article 25(2) tax deduction.¹⁰² Accordingly, 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.

To calculate the net subsidy rate, we divided the amount of the tax savings received by Hyundai Steel by its total sales during the POR. On this basis, we preliminarily determine that Hyundai

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 Prelim*) 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*), and accompanying IDM at 14.

⁹⁶ *See* 19 CFR 351.524(a) and (c).

⁹⁷ *See* Hyundai Steel's Preliminary Calculation Memorandum.

⁹⁸ *See* Dongbu's February 10, 2020 Initial QR at 54-55.

⁹⁹ *See* Hyundai Steel's February 6, 2020 Initial QR at 18.

¹⁰⁰ *See CORE Investigation Final*; and *CORE First Admin Review*.

¹⁰¹ *See* GOK's February 6, 2020 Initial QR at 38, and GOK's October 16, 2020 SQR1-1 at 1.

¹⁰² *See* GOK's October 16, 2020 SQR1-1, Appendix I at 17.

Steel received a countervailable subsidy rate of 0.05 percent *ad valorem* under this program.¹⁰³ Dongbu reported it did not use this program during the POR.¹⁰⁴

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

Introduced in 2007, RSTA Article 25(3) aims to motivate investments in facilities that are constructed for the purpose of preserving the environment.¹⁰⁵ Under the RSTA Article 25-3, taxpayers may apply for a tax deduction from the income tax or corporate tax due. The GOK reports that subparagraph (2) of RSTA Article 25(3) revised the tax deduction rates to one percent (three percent for medium-sized companies, and 10 percent for small-sized companies), of the value of the qualifying investment, effective January 1, 2018.¹⁰⁶ Administered by the National Tax Service (NTS), under the direction of the Ministry of Strategy and Finance (MOSF) Article 25(3) of the RSTA is the law authorizing the deduction, which is implemented through Article 22(3) of the Enforcement Decree of the RSTA.¹⁰⁷

We preliminarily determine that the GOK provided a financial contribution to the 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 provided under section 771(5)(E) of the Act and described in 19 CFR 351.509(a), effectively, the amount of the tax credit claimed. We preliminarily determine that the provision of this tax benefit is specific, in fact, to an enterprise or industry or group thereof, pursuant to section 771(5A)(D)(iii) of the Act. The GOK reported that 364 companies were approved for assistance under this program.¹⁰⁸ Because only 364 companies benefitted from this program of a total of 740,215 corporate tax returns filed in 2018, we preliminarily determine that this program is *de facto* specific under section 771(5A)(D)(iii)(I) of the Act, because the actual number of recipients is limited.

To calculate the net subsidy, we divided the amount of the tax savings received by Hyundai Steel by its total sales during the POR. On this basis, we preliminarily determine that Hyundai Steel received a countervailable subsidy rate of 0.09 percent *ad valorem* under this program. Dongbu reported it did not use this program during the POR.¹⁰⁹

6. Tax Deduction Under Restriction of Special Taxation Act (RSTA) Article 26

Under Article 26 of the RSTA, the GOK provides tax incentives to companies that make investments in their respective fields of businesses. Under RSTA Article 26, taxpayers are permitted to apply for a tax deduction from the income tax or corporate tax of the qualifying investment. 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

¹⁰³ See Hyundai Steel’s Preliminary Calculation Memorandum.

¹⁰⁴ See Dongbu’s February 10, 2020 Initial QR at 52.

¹⁰⁵ See GOK’s February 6, 2020 Initial QR at 43-44.

¹⁰⁶ See GOK’s October 16, 2020 SQR1-1 at 1.

¹⁰⁷ See GOK’s February 6, 2020 Initial QR at 44 and 53.

¹⁰⁸ *Id.* at 56.

¹⁰⁹ See Dongbu’s February 10, 2020 Initial QR at 52.

other company.” The GOK noted that there were no changes made to this program during the POR.¹¹⁰ 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.¹¹¹ Hyundai Steel claimed tax credits under this program on the tax return filed during the POR.¹¹² Dongbu reported it did not use this program during the POR.¹¹³

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.¹¹⁴

To calculate the benefit for Hyundai Steel, we subtracted the amount of taxes paid by the firm 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 company. On this basis, we preliminarily determine the net subsidy rate under this program during the POR to be 0.27 percent *ad valorem* for Hyundai Steel.¹¹⁵

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

The DRR Program was developed in November 2014 to allow the Korea Power Exchange (KPX) to respond in a timely manner to any imbalance between supply and demand of electricity in the market, curb peak demand, optimize the construction of additional generators, and save the supply cost of electricity.¹¹⁶ The program contains two sub-programs, the DRR Program for Peak Curtailment and the DRR Program for Electricity Price Curtailment.¹¹⁷ 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.¹¹⁸ The KPX, which manages the DRR Program, pays multiple private Demand Management Business Operators, also called “aggregators,” which have direct, contractual relationships with end users of the program.¹¹⁹ End users receive cash payments from those aggregators.¹²⁰ Prior to that exchange between the KPX and the aggregators, the Korea Electric Power Corporation (KEPCO) pays the

¹¹⁰ See GOK’s February 6, 2020 Initial QR at 64.

¹¹¹ *Id.* at 64-68.

¹¹² See Hyundai Steel’s February 6, 2020 Initial QR at 18.

¹¹³ See Dongbu’s February 10, 2020 Initial QR at 52.

¹¹⁴ See *Certain Cut-to-Length Carbon-Quality Steel Plate from the Republic of Korea: Preliminary Results of Countervailing Duty Administrative Review; Calendar Year 2018*, 85 FR 13136 (March 6, 2020) (*CTL Plate from Korea 2018 Prelim*), and accompanying PDM at 11.

¹¹⁵ See Hyundai Steel’s Preliminary Calculation Memorandum.

¹¹⁶ See GOK’s February 6, 2020 Initial QR at 118-136.

¹¹⁷ *Id.* at 119.

¹¹⁸ *Id.*

¹¹⁹ *Id.* at 123-125.

¹²⁰ *Id.*

KPX for the latter's role in demand curtailment under the program.¹²¹ KPX is majority-owned by KEPCO, which is, in turn, majority-owned by the GOK.¹²² This program is established and operated under Article 31 of the Electricity Business Law (EBL) and Chapter 12 of the Rules on Operation of Electricity Utility Market (ROEUM).¹²³

Consistent with our prior findings, we preliminarily find KEPCO to be an “authority” within the meaning of section 771(5)(B) of the Act.¹²⁴ 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 Dongbu and Hyundai Steel, in accordance with 19 CFR 351.504(a). Our findings in this regard are consistent with prior CVD proceedings involving Korea.¹²⁵

The GOK submits that a limited number of companies were approved for the assistance under this program in 2018,¹²⁶ though participation in it is available to “all entities” in Korea.¹²⁷ We, therefore, preliminarily determine that this program is *de facto* specific under section 771(5A)(D)(iii)(I) of the Act, as the actual recipients were limited in number. Our findings in this regard are consistent with Commerce's approach in prior CVD proceedings involving Korea.¹²⁸

Because we found no evidence on the record indicating that subsidies under the DRR program were tied to export sales, we used the total sales of Hyundai Steel as a denominator to determine the countervailable subsidy rate under this program during the POR. On this basis, we preliminarily determine the net subsidy rate that Hyundai Steel received under this program to be 0.05 percent *ad valorem* for 2018. Dongbu received benefits from the program, but provided information showing that the benefits were not measurable during the POR.¹²⁹

8. Modal Shift Program

The GOK established this grant program in 2010 in order to decrease greenhouse gas emissions in the transportation and logistics sector. 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.¹³⁰ 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

¹²¹ *Id.* at 124.

¹²² *Id.* at 126.

¹²³ *Id.* at 124.

¹²⁴ See *CORE First Admin Review* IDM at 8; and *CTL Plate from Korea 2018 Prelim PDM* at 11.

¹²⁵ *Id.*

¹²⁶ See GOK's February 6, 2020 Initial QR at 133; and *CTL Plate from Korea 2018 Prelim PDM* at 12.

¹²⁷ See GOK's February 6, 2020 Initial QR at 128-132.

¹²⁸ See *CTL Plate from Korea 2018 Prelim PDM* at 12.

¹²⁹ See Dongbu's February 10, 2020 Initial QR at 56 and Exhibits E-1 and E-4.

¹³⁰ See GOK's February 6, 2020 Initial QR at 162 for the description of the program.

Development Act, Article 24 of its Enforcement Decree, and Article 9 of the Regulations on Modal Shift Agreement (MSA).¹³¹ The GOK reported there were no changes to this program during the POR.¹³²

Hyundai Steel reported that it used this program and received grants during the POR.¹³³ The criterion that Hyundai Steel had to meet to qualify for assistance was to shift some of its truck transportation to shipping by boat in order to promote a low-carbon transportation logistics system by reducing greenhouse gas emissions. Because the proposals were consistent with the Sustainable Transportation Logistics Development Act, the proposals were approved by the Korean Shipping Association.¹³⁴

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. With respect to specificity, the GOK submits that, for the period between 2014 through 2018, there were a limited number of companies that were approved for/received assistance under this program.¹³⁵ Because the number of companies that received assistance under this program for these years was limited in number, we preliminarily determine that this program is *de facto* specific under section 771(5A)(D)(iii)(I) of the Act.¹³⁶ Our findings are consistent with prior CVD proceedings involving Korea.¹³⁷

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 amount of assistance received by Hyundai Steel's total sales. Accordingly, we preliminarily determine the net subsidy rate that Hyundai Steel received under this program is 0.01 percent *ad valorem*. Dongbu reported that it did not participate in, or receive benefits under, this program.¹³⁸

9. Reduction for Sewerage Fees

In the initial questionnaire responses, Hyundai Steel and Dongbu reported that they used this program.¹³⁹ This program provides a reduction in the water bill if a company can demonstrate

¹³¹ *Id.* at 162-164.

¹³² See GOK's October 16, 2020 SQR1-1 at 4-5.

¹³³ See Hyundai Steel's February 6, 2020 Initial QR at 26.

¹³⁴ *Id.* at Exhibit G-2.

¹³⁵ See GOK's February 6, 2020 Initial QR at 175 (BPI) for a more complete description of the number of companies involved in the program.

¹³⁶ See, e.g., *NOES from Korea* IDM at 11 and 13; see also *Welded Line Pipe from the Republic of Korea: Final Negative Countervailing Duty Determination*, 80 FR 61365 (October 13, 2015), and accompanying IDM at 36; and Statement of Administrative Action (SAA) accompanying H.R. 5110, H.R. Doc. No. 316, 103d Cong., 2d Sess. 911, 929 (1994) ("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.").

¹³⁷ See *CTL Plate from Korea 2018 Prelim PDM* at 13.

¹³⁸ See Dongbu's February 10, 2020 Initial QR at 57.

¹³⁹ See Hyundai Steel's February 6, 2020 Initial QR at 54 and Exhibit I-37; see also Dongbu's February 10, 2020 Initial QR at 71.

that the amount of sewage water that was sent down the public sewerage system was less than the amount of clean water that it had consumed from the public water supply system.¹⁴⁰

Under this program, the GOK bills companies and households for water consumption from the public water supply. If a user can show that the amount of sewage water that it has sent down the public sewerage system is less than the amount of clean water that it has consumed from the public water supply system, authorities will calculate the public sewerage system usage fee on the basis of the proven amount of the sewage water drained down the sewerage system.¹⁴¹ A user can also install a “gray water system,” which is an approved system by the GOK that processes unclean water for recycling purposes without discharging the unclean water through the public sewerage system. If a gray water system is installed, the amount of the waste water that a user sends through the public sewerage system is considered to be less than the amount of clean water consumed from the public water supply system.¹⁴² The reasoning for this conclusion is that, based on the recycling mechanism of the gray water system, unclean water can be used at least twice before being sent through the public water system.¹⁴³

The legal basis for the program is found under Article 65(1) of the Sewerage Act and Article 36(2) of the Enforcement Decree of the Sewerage Act. Article 14(1) and Article 21(1)(7) of the Incheon Metropolitan City Ordinance on Sewage System Usages, and Article 9 of the Enforcement Decree of the same Ordinance, stipulate the method by which the service fee and the usage of the public sewerage system is calculated.¹⁴⁴ To qualify for this program, companies or households must submit an application to their local government authority. Although the program was introduced through the amendment of the Presidential Decree of the Sewerage Act by the Ministry of Environment, which is a central level of the Korean government, the authority to execute the program is delegated to regional level governments, which in this case was the Incheon Metropolitan City Government.¹⁴⁵ Further, the Incheon Metropolitan City Government delegated the authority to execute this program to local level governments, which in this case was the Incheon Waterwork Authority.¹⁴⁶

The Incheon Waterwork Authority maintains the application forms and notification letters, which report that a “gray water” system” has been installed or any objective report showing the amount of water sent down the public sewerage system is less than the amount of clean water consumed from the public water supply system.¹⁴⁷ The public sewerage system usage fees are calculated on the basis of the sewage water actually or deemed to have been used and not on the basis of the amount of clean water consumed from the public water supply system.¹⁴⁸ The approval notifications are then sent to applicants. The Incheon Waterwork Authority keeps a record as to the billing and collection of the public sewerage system usage fees.¹⁴⁹

¹⁴⁰ See GOK’s February 6, 2020 Initial QR at 202-204.

¹⁴¹ *Id.* at 203.

¹⁴² *Id.* at 203.

¹⁴³ *Id.*

¹⁴⁴ *Id.* at 206.

¹⁴⁵ *Id.* at 206-210.

¹⁴⁶ *Id.* at 204-205.

¹⁴⁷ *Id.* at 206-207 and 211.

¹⁴⁸ *Id.* at 206-207.

¹⁴⁹ *Id.*

We preliminarily determine that the reduction in sewerage fees under 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. Record information does not indicate that the reduction in sewerage fees under this program is limited by law to certain enterprises or industries.¹⁵⁰ For this reason, we preliminarily determine that this program does not meet the criteria to be considered *de jure* specific under section 771(5A)(D)(i) of the Act. We then examined whether the program is specific as a matter of fact under section 771(5A)(D)(iii) of the Act. Based on the total amount of revenue forgone by the GOK during the POR of which the Hyundai Steel received a significant share, we preliminarily determine that this program is *de facto* specific within the meaning of section 771(5A)(D)(iii)(II) of the Act because Hyundai Steel received a predominant amount of the benefits under the program.¹⁵¹

The benefit conferred on the recipient under this program is the difference between the amount of water fees paid by each respondent and the amount of water fees that it would have paid in the absence of this program, in accordance with section 771(5)(E) of the Act. In effect, the benefit equals the amount of the water fees waived if the company had paid the water usage bill in full. We treated the total amount of fees waived during the POR to Hyundai Steel and Dongbu as the benefit attributable to each company.

To calculate the net countervailable subsidy rate for the POR, we divided the total benefit amount by each respondent's total sales during the POR. On this basis, we preliminarily determine a net subsidy rate of 0.01 percent *ad valorem* for Hyundai Steel.¹⁵² Dongbu received benefits from the program, but provided information showing that the benefit was not measurable during the POR.¹⁵³

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

The GOK submits that this program is part of a public-private partnership wherein the GOK entered into an arrangement to construct a wharf at the North Port of Incheon (Incheon Wharf), attracting investment from the private sector instead of using its own budget.¹⁵⁴ The public-private partnership is a cooperative arrangement between two or more public and private partners, typically of a long-term nature that work together to complete a project and/or to provide services to the population.¹⁵⁵ The Incheon Wharf project is administered by the Ministry of Oceans and Fisheries agency, under the Private Participation in Social Infrastructure Act introduced in 1994, and the Basic Plan for the Public-Private Partnership Projects, which is a Ministerial Decree adopted by the Ministry of Economy and Finance.¹⁵⁶ The details of the agreement on the Incheon Wharf project are contained in the North Incheon Wharf Private Investment Project Implementation Agreement (the Agreement) and maintained by the Ministry

¹⁵⁰ *Id.* at 211 -213.

¹⁵¹ *Id.* at 215; *see also* Hyundai Steel's Preliminary Calculation Memorandum.

¹⁵² *See* Hyundai Steel's Preliminary Calculation Memorandum; *see also* CTL Plate from Korea 2018 Prelim; and Memorandum, "Post-Preliminary Analysis Memorandum," dated August 6, 2020, at 2.

¹⁵³ *See* Dongbu's February 10, 2020 Initial QR at 71.

¹⁵⁴ *See* GOK's November 4, 2020 SQR2-1 at 1.

¹⁵⁵ *Id.* at footnote 1.

¹⁵⁶ *Id.* at 6.

of Oceans and Fisheries.¹⁵⁷ The construction of the Incheon Wharf started in 2003 and ended in 2006.¹⁵⁸ The GOK bestowed the right to use the Incheon Wharf to the private partner for a specified period of time without paying port usage fees, as well as the right to collect certain usage fees from third-party users.¹⁵⁹ Article 2 paragraph 54 of the Agreement states the types of fees that can be collected under the Harbor Act and the Harbor Transport Business Act.¹⁶⁰

Hyundai Steel reported it entered into an agreement with the Ministry of Oceans and Fisheries regarding the construction of the wharf at North Incheon Harbor in August 2001 and entered into a revised agreement in April 2009.¹⁶¹ Hyundai Steel financed the construction of the Incheon Wharf and, pursuant to Korean law, ownership of the port facility reverted to the GOK in 2007.¹⁶² Hyundai Steel received money from the GOK between 2004 and 2007 for some of the construction costs.¹⁶³ The remaining construction costs are being amortized by Hyundai Steel over a specified period.¹⁶⁴ Specifically, Hyundai Steel was granted the right to operate and use the port for its own operations freely, as well as collect fees from third-party users, for a specified time period.¹⁶⁵ Thus, Hyundai Steel reported it collected berth occupancy charges (or berthing income) from shipping companies and reported these amounts for each of the years from 2007 through 2018.¹⁶⁶

Further, in response to a supplemental questionnaire, Hyundai Steel reported that in connection with its own usage of the port, it had a service contract with an unaffiliated private terminal operating company.¹⁶⁷ Hyundai Steel states that harbor facility usage fees can be levied as harbor facility lease fees for terminal operating companies, as prescribed in Article 2(6) of the Harbor Transport Business Act.¹⁶⁸ While Hyundai Steel paid the terminal operating company for its services,¹⁶⁹ Hyundai Steel was entitled to harbor facility usage fees from the terminal operating company.¹⁷⁰ The specific harbor facility usage fees relating to the terminal operating company during the POR that Hyundai Steel reported amounts for are (1) apron usage fees, (2) land usage fees, and (3) open storage yard fees.¹⁷¹

We preliminarily determine that the program provides a financial contribution because the fees that the GOK gave Hyundai Steel the right to collect, which would otherwise have been collected by the GOK absent the agreement between the parties, represent revenue forgone by the GOK within the meaning of section 771(5)(D)(ii) of the Act. The berthing income and the harbor facility usage fees are revenue forgone by the GOK as Hyundai Steel did not pay the GOK the

¹⁵⁷ *Id.* at 2 and 8.

¹⁵⁸ *Id.* at 2, Footnote 3.

¹⁵⁹ *Id.* at 4-5.

¹⁶⁰ *Id.* at 3.

¹⁶¹ See Hyundai Steel's Initial QR dated February 6, 2020 at 42.

¹⁶² *Id.*

¹⁶³ *Id.*

¹⁶⁴ *Id.* at 43.

¹⁶⁵ *Id.*

¹⁶⁶ *Id.*

¹⁶⁷ See Hyundai Steel's November 4, 2020 SQR2-2 at 2-3.

¹⁶⁸ *Id.* at 5.

¹⁶⁹ *Id.* at 3.

¹⁷⁰ *Id.* at 5.

¹⁷¹ *Id.* at 6-8.

fees it collected. Further, we preliminarily find the program to be specific under section 771(5A)(D)(iii)(I) of the Act because the actual recipients are limited in number.¹⁷² A benefit exists under section 771(5)(E) of the Act in the amount of the fees exempted reported by Hyundai Steel. Consistent with prior proceedings, we have treated this program as a recurring grant program.¹⁷³ To calculate the benefit we summed up the berthing income and the harbor facility usage fees that Hyundai Steel benefitted from during the POR, and divided this amount by its total sales. On this basis, we preliminarily determine a countervailable subsidy rate of 0.01 percent *ad valorem* for Hyundai Steel under this program.¹⁷⁴

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

Hyundai Steel

1. Suncheon Harbor Port Usage Fee Exemptions
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. RSTA Article 10(1)(1)
18. RSTA Article 10(1)(2)
19. RSTA Article 10(1)(3)
20. RSTA Article 11
21. RSTA 104(14)

¹⁷² See GOK’s November 4, 2020 SQR2-1 at 2; *see also* Hyundai Steel Preliminary Calculation Memorandum.

¹⁷³ See *Certain Hot-Rolled Steel Flat Products from the Republic of Korea: Final Results of Countervailing Duty Administrative Review*, 2017, 85 FR 64122 (October 9, 2020), and accompanying IDM at Comment 6. *See, e.g., Notice of Final Results of Countervailing Duty Administrative Review: Certain Cut-to-Length Carbon-Quality Steel Plate from the Republic of Korea*, 72 FR 38565 (July 13, 2007), and accompanying IDM at 6-7 and Comment 1; *Corrosion-Resistant Carbon Steel Flat Products from the Republic of Korea: Preliminary Results of Countervailing Duty Administrative Review*; 2011, 78 FR 55241 (September 10, 2013), and accompanying PDM at 11, unchanged in *Corrosion-Resistant Carbon Steel Flat Products from the Republic of Korea: Final Results of Countervailing Duty Administrative Review*; 2011, 79 FR 5378 (January 31, 2014); and *Notice of Final Affirmative Countervailing Duty Determination: Certain Cold-Rolled Carbon Steel Flat Products from the Republic of Korea*, 67 FR 62102 (October 3, 2002), and accompanying IDM at 20 and Comment 11.

¹⁷⁴ See Hyundai Steel Preliminary Calculation Memorandum.

22. RSTA 94
23. RSLTA Articles 19, 31, 46, 84, 57-2, LTA 109, 112, and 137
24. Tax Reductions and Exemptions in Free Economic Zones
25. Grants and Financial Support in Free Economic Zones
26. Sharing of Working Opportunities/Employment Creating Incentives
27. R&D Grants under ITIPA
28. GOK Infrastructure Investment at Incheon North Harbor
29. Machinery & Equipment (KANIST R&D) Project
30. Grant for Purchase of Electrical Vehicle
31. Power Business Law Subsidies
32. Provision of Liquefied Natural Gas (LNG) for LTAR
33. 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
34. The GOK's Purchases of Electricity for MTAR
35. Incentives for Compounding and Prescription Cost Reduction
36. Incentives for Usage of Yeongil Harbor in Pohang City
37. VAT Exemptions on Imported Goods
38. Incentives for Usage of Gwangyang Port
39. Incentives for Natural Gas Facilities
40. Subsidies for Construction and Operation of Workplace Nursery
41. Subsidies for Hyundai Steel Red Angels Women's Football Club
42. Seoul Guarantee Insurance
43. Subsidies for Pohang Art Festival
44. Fast-Track Restructuring Program
45. Grants for LED Efficiency Improvement
46. Purchase of Land from Government Entities
47. Tax Credits for Electronic Returns
48. Discount of Electricity Fee for Energy Storage System
49. VAT Tax Deductions Due to Bad Debt
50. Other Transactions with Government Entities

Dongbu

1. KEXIM Bank Import Financing
2. RSTA Article 25(2): Tax Deductions for Investments in Energy Economizing Facilities
3. RSLTA Article 78: Acquisition and Property Tax Benefits to Companies Located in Industrial Complexes
4. RSTA Article 26: GOK Facilities Investment Support
5. Power Business Law Subsidies
6. Provision of Liquefied Natural Gas (LNG) for LTAR
7. 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

8. KEXIM Short-Term Export Credits
9. KEXIM Export Factoring
10. KEXIM Export Loan Guarantees
11. KEXIM Trade Bill Rediscounting Program
12. KEXIM Overseas Investment Credit Program
13. KDB and IBF Loans under the Industrial Base Fund
14. K-SURE Export Credit Guarantees
15. K-SURE Short-Term Export Credit Insurance
16. Long-Term Loans from KORES and KNOC
17. Special Accounts for Energy and Resources (SAER) Loans
18. Clean Coal Subsidies
19. GOK Subsidies for “Green Technology R&D” and its Commercialization
20. Support for SME “Green Partnerships”
21. Daewoo International Corporation Debt Work Out
22. Research, Supply or Workforce Development Investment Tax Deduction for “New Growth Engines” under RSTA Article 10(1)(1)
23. Research, Supply, or Workforce Development Expense Tax Deductions for “Core Technologies” under RSTA Article 10(1)(2)
24. Tax Reduction for Research and Human Resources Development under RSTA Article 10(1)(3)
25. Tax Credit for Investment in Facilities for Research and Manpower under RSTA Article 11
26. Tax Deduction for Investment in Environmental and Safety Facilities under RSTA Article 25(3)
27. Tax Program for Third-Party Logistics Operations under RSTA Article 104(14)
28. RSLTA Articles 46, 84
29. Tax Reductions and Exemptions in Free Economic Zones
30. Exemptions and Reductions of Lease fees in Free Economic Zones
31. Grants and Financial Support in Free Economic Zones
32. Modal Shift Program
33. Sharing of Working Opportunities/Employment Creating Incentives
34. R&D Grants under Industrial Technology Innovation Promotion Act (ITIPA)
35. GOK Infrastructure Investment at Incheon North Harbor
36. Machinery & Equipment (KANIST R&D) Project
37. Grant for the Purchase of an Electric Vehicle
38. The GOK’s Purchases of Electricity from Corrosion-Resistant Steel Producers for MTAR
39. Land Purchase at Asan Bay
40. Dongbu’s Exemptions from Payment of Harbor Fees
41. Grants from the Korea Agency for Infrastructure Technology Advancement

VIII. 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

11/17/2020

X



Signed by: JEFFREY KESSLER

Jeffrey I. Kessler
Assistant Secretary
for Enforcement and Compliance