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Investigation
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December 7, 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 Affirmative
Determination of the Countervailing Duty Investigation of
Seamless Carbon and Alloy Steel Standard, Line, and Pressure
Pipe from the Republic of Korea

I. SUMMARY

The Department of Commerce (Commerce) preliminarily determines that countervailable subsidies are being provided to producers and exporters of seamless carbon and alloy steel standard, line, and pressure pipe (seamless pipe) from the Republic of Korea (Korea), as provided in section 703 of the Tariff Act of 1930, as amended (the Act).

II. BACKGROUND

A. Case History

On July 8, 2020, Commerce received a countervailing duty (CVD) petition concerning imports of seamless pipe from Korea, filed on behalf of Vallourec Star, LP (the petitioner).¹ Pursuant to section 702(b)(4)(A)(ii) of the Act, we invited representatives of the Government of Korea (GOK) for consultations with respect to the Petition.² We describe the supplements to the

¹ See Petitioner's Letter, "Petitions for the Imposition of Antidumping and Countervailing Duties: Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Czech Republic, the Republic of Korea, Russia, and Ukraine," dated July 8, 2020 (Petition).

² See Commerce's Letter, "Countervailing Duty Petition on Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea: Invitation for Consultations," dated July 9, 2020.



petition and our consultations with the GOK in the Initiation Checklist.³ On July 28, 2020, Commerce initiated a CVD investigation of seamless pipe from Korea.⁴

In the “Respondent Selection” section of the *Initiation Notice*, Commerce stated that it intended to select respondents, where appropriate, based on U.S. Customs and Border Protection (CBP) data.⁵ Accordingly, on July 21, 2020, Commerce released CBP data to parties under the administrative protective order, and requested comments regarding the data and respondent selection.⁶ We received no comments on the CBP data or requests for voluntary treatment from any party.

On August 14, 2020, Commerce determined to individually examine ILJIN Steel Corporation (Iljin), the largest producer/exporter of the subject merchandise by volume, as the mandatory respondent in this investigation.⁷ On August 14, 2020, Commerce issued the initial CVD questionnaire to the GOK, with instructions to forward the questionnaire to Iljin.⁸

On August 21, 2020, Iljin requested that it be exempted from reporting on behalf of an unaffiliated export trading company (Trader) and that Commerce confirm Iljin is not required to submit a questionnaire response from a certain affiliate.⁹ On August 26, 2020, Commerce determined that Iljin was required to submit a complete questionnaire response for Trader, and requested additional information regarding the aforementioned affiliate.¹⁰ On September 4, 2020, Iljin timely provided the requested information regarding the affiliate at issue,¹¹ and also submitted its response to the Initial Questionnaire’s Section III Identifying Affiliated Companies section.¹² In Iljin AFQR, Iljin asked Commerce to reconsider its decision to require Iljin to provide a questionnaire response from the Trader.¹³ Based on the additional information

³ See CVD Initiation Checklist: Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea, dated July 28, 2020 (CVD Initiation Checklist).

⁴ See *Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea and the Russian Federation: Initiation of Countervailing Duty Investigations*, 85 FR 47170 (August 4, 2020) (*Initiation Notice*).

⁵ See *Initiation Notice* at 47173.

⁶ See Memorandum, “Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea – Release of Customs Data,” dated June 21, 2020.

⁷ See Memorandum, “Countervailing Duty Investigation of Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea: Respondent Selection,” dated August 14, 2020.

⁸ See Commerce’s Letter, “Investigation of Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea: Countervailing Duty Questionnaire,” dated August 14, 2020 (Initial Questionnaire).

⁹ See Iljin’s Letter, “Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea: Notification of Reporting Difficulties and Request to Modify Reporting Instructions,” dated August 21, 2020 (Iljin’s Reporting Modification Request). The names of the unaffiliated export trading company and certain affiliate are proprietary. Thus, from here forward, we are referring to the unaffiliated export trading company as “Trader.”

¹⁰ See Commerce’s Letter, “Countervailing Duty Investigation of Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea: (1) Response to Iljin Steel Corporation’s Notification of Reporting Difficulties and Request to Modify Reporting Instructions and (2) Request for Additional Information,” dated August 26, 2020 (Commerce’s August 26, 2020 Supplemental Questionnaire).

¹¹ See Iljin’s Letter, “Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea: Supplemental Response,” dated September 4, 2020 (Iljin September 4, 2020 SQR).

¹² See Iljin’s Letter, “Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea: Section III “Affiliated Companies” Response,” dated September 4, 2020. We note that this contains volume I for Iljin (Iljin AFQR) and volume II for Trader (Trader AFQR).

¹³ *Id.* at III-3.

provided, Commerce continued to request a full questionnaire response for Trader, but determined that Iljin was not required to submit a questionnaire response for the affiliate.¹⁴

On October 1, 2020, Iljin and Trader filed a joint response to the CVD questionnaire.¹⁵ On October 5, 2020, the GOK filed its response to the CVD questionnaire.¹⁶ Between August 26 and November 19, 2020, Commerce issued supplemental questionnaires to the GOK, Iljin, and Trader.¹⁷ Between September 4, 2020, and November 24, 2020, we received timely responses to our supplemental CVD questionnaires from the GOK, Iljin, and Trader.¹⁸

¹⁴ See Commerce's Letter, "Countervailing Duty Investigation of Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea: Response to Iljin Steel Corporation's (1) Reconsideration Request to Reporting Exemption and (2) Clarification Request Regarding Its Affiliated Company," dated September 17, 2020 (Commerce's September 17, 2020 Response to Iljin's Reporting Request).

¹⁵ See Iljin's Letter, "Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea: Section III Questionnaire Response," dated October 1, 2020. We note that this contains volume I for Iljin (Iljin IQR) and volume II for Trader (Trader IQR).

¹⁶ See GOK's Letter, "Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea: Countervailing Duty Response to Section II of the Initial Questionnaire," dated October 5, 2020 (GOK IQR).

¹⁷ See Commerce's August 26, 2020 Supplemental Questionnaire; *see also* Commerce's Letter, "Countervailing Duty Investigation of Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea: First Request for Additional Information Regarding Iljin Steel Corporation's Response to 'Section III Identifying Affiliated Companies' Questions of the Initial Questionnaire," dated September 17, 2020; Commerce's Letter, "Countervailing Duty Investigation of Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea: First Request for Additional Information Regarding Iljin Steel Corporation's Section III Response," dated October 30, 2020; Commerce's Letter, "Countervailing Duty Investigation of Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea: Request for Additional Information Regarding the Government of the Republic of Korea's Response to the August 14, 2020 Initial Questionnaire," dated November 3, 2020; Commerce's Letter, "Countervailing Duty Investigation of Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea: Second Request for Additional Information Regarding the Government of the Republic of Korea's Response to the August 14, 2020 Initial Questionnaire," dated November 6, 2020 (GOK Second Supplemental Questionnaire); Commerce's Letter, "Countervailing Duty Investigation of Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea: Third Request for Additional Information Regarding the Government of the Republic of Korea's Response to the August 14, 2020 Initial Questionnaire," dated November 10, 2020; Commerce's Letter, "Countervailing Duty Investigation of Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea: Second Request for Additional Information Regarding Iljin Steel Corporation's Section III Response," dated November 10, 2020; Commerce's Letter, "Countervailing Duty Investigation of Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea: Third Request for Additional Information Regarding Iljin Steel Corporation's Section III Response," dated November 13, 2020; Commerce's Letter, "Countervailing Duty Investigation of Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea: Fourth Request for Additional Information Regarding Iljin Steel Corporation's Section III Response," dated November 19, 2020; and Commerce's Letter, "Countervailing Duty Investigation of Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea: Fourth Request for Additional Information Regarding the Government of the Republic of Korea's Response to the August 14, 2020 Initial Questionnaire," dated November 19, 2020.

¹⁸ See Iljin AFQR; *see also* Trader AFQR; Iljin's Letter, "Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea: Affiliation Supplemental Questionnaire Response," dated September 25, 2020 (Iljin SAFQR); Iljin's Letter, "Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea: Supplemental Questionnaire Response," dated November 9, 2020. We note that this contains volume I for Iljin (Iljin ISQR Part 1) and volume II for Trader (Trader ISQR Part 1). *See* Iljin's Letter, "Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea: Supplemental Questionnaire Response," dated November 12, 2020. We note that this contains volume I for Iljin (Iljin ISQR Part 2) and volume

On October 15, 2020, the petitioner filed a request that Commerce align the final determination of this CVD investigation with the companion antidumping duty (AD) investigation of seamless pipe from Korea.¹⁹ On December 3, 2020, the petitioner filed pre-preliminary determination comments.²⁰ Because the deadline for the preliminary determination is December 7, 2020, we will consider these comments for the final determination.

B. Postponement of Preliminary Determination

On August 18, 2020, the petitioner requested that Commerce postpone the deadline for the preliminary determination.²¹ On September 2, 2020, we postponed the date of the preliminary determination until December 7, 2020 in accordance with section 703(c)(1)(A) of the Act and 19 CFR 351.205(b)(2).²²

II for Trader (Trader 1SQR Part 2). *See* GOK's Letter, "Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea: Countervailing Duty Response to the Third Request for Additional Information Regarding the Government of the Republic of Korea's Response to the August 14, 2020 Initial Questionnaire," dated November 16, 2020; Iljin's Letter, "Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea: Second Supplemental Questionnaire Response," dated November 16, 2020. We note that this contains volume I for Iljin (Iljin 2SQR) and volume II for Trader (Trader 2SQR). *See* GOK's Letter, Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea: Countervailing Duty Response to the Request for Additional Information Regarding the Government of the Republic of Korea's Response to the August 14, 2020 Initial Questionnaire," dated November 17, 2020 (GOK 1SQR); GOK's Letter, "Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea: Countervailing Duty Response to the Second Request for Additional Information Regarding the Government of the Republic of Korea's Response to the August 14, 2020 Initial Questionnaire," dated November 17, 2020 (GOK 2SQR); GOK's Letter, "Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea: Exhibit Translations of the Countervailing Duty Response to the Request for Additional Information Regarding the Government of the Republic of Korea's Response to the August 14, 2020 Initial Questionnaire," dated November 18, 2020; Iljin's Letter, "Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea: Third Supplemental Questionnaire Response," dated November 18, 2020. We note that this contains volume I for Iljin (Iljin 3SQR) and volume II for Trader (Trader 3SQR). GOK's Letter, "Countervailing Duty Investigation of Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea: Exhibit Translations of the Countervailing Duty Response to the Request for Additional Information Regarding the Government of the Republic of Korea's Response to the August 14, 2020 Initial Questionnaire," dated November 20, 2020; Iljin's Letter, "Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea: Fourth Supplemental Questionnaire Response," dated November 23, 2020 (Iljin 4SQR); and GOK's Letter, "Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea: Countervailing Duty Response to the Fourth Request for Additional Information Regarding the Government of the Republic of Korea's Response to the August 14, 2020 Initial Questionnaire," dated November 24, 2020 (GOK 4SQR).

¹⁹ *See* Petitioner's Letter, "Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from Korea and Russia: Request to Align Final Determinations," dated October 15, 2020.

²⁰ *See* Petitioner's Letter, "Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from Korea: Comments in Anticipation of the Preliminary Determination," dated December 3, 2020 (pre-preliminary determination comments).

²¹ *See* Petitioner's Letter, "Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from Korea and Russia: Request to Extend Preliminary Determinations," dated August 18, 2020.

²² *See Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea and the Russian Federation: Postponement of Preliminary Determinations in the Countervailing Duty Investigations*, 85 FR 54533 (September 2, 2020).

C. Period of Investigation

The POI is January 1, 2019 through December 31, 2019.

III. SCOPE COMMENTS

In accordance with the preamble to Commerce's regulations²³ and as noted in the *Initiation Notice*, we set aside a period of time for parties to raise issues regarding product coverage (*i.e.*, scope).²⁴ We received comments concerning the scope of the AD and CVD investigations of seamless pipe from the TMK Group and the petitioner.²⁵ We are currently evaluating the scope comments filed by the interested parties. We intend to issue our preliminary decision regarding the scope of this and the companion AD and CVD investigations no later than February 3, 2021, the deadline for the preliminary determinations in the companion AD investigations with respect to Korea, Russia, and Ukraine.²⁶ We will issue a final scope decision after considering any relevant comments submitted in the case and rebuttal briefs.²⁷

IV. SCOPE OF THE INVESTIGATION

The merchandise covered by the scope of this investigation is seamless carbon and alloy steel (other than stainless steel) pipes and redraw hollows, less than or equal to 16 inches (406.4 mm) in nominal outside diameter, regardless of wall-thickness, manufacturing process (e.g., hot-finished or cold-drawn), end finish (e.g., plain end, beveled end, upset end, threaded, or threaded and coupled), or surface finish (e.g., bare, lacquered or coated). Redraw hollows are any unfinished carbon or alloy steel (other than stainless steel) pipe or "hollow profiles" suitable for cold finishing operations, such as cold drawing, to meet the American Society for Testing and Materials (ASTM) or American Petroleum Institute (API) specifications referenced below, or comparable specifications. Specifically included within the scope are seamless carbon and alloy steel (other than stainless steel) standard, line, and pressure pipes produced to the ASTM A-53, ASTM A-106, ASTM A-333, ASTM A-334, ASTM A-589, ASTM A-795, ASTM A-1024, and the API 5L specifications, or comparable specifications, and meeting the physical parameters described above, regardless of application, with the exception of the exclusions discussed below.

Specifically excluded from the scope of the investigation are: (1) all pipes meeting aerospace, hydraulic, and bearing tubing specifications, including pipe produced to the ASTM A-822 standard; (2) all pipes meeting the chemical requirements of ASTM A-335, whether finished or

²³ See *Antidumping Duties; Countervailing Duties*, 62 FR 27296, 27323 (May 19, 1997).

²⁴ See *Initiation Notice*, 85 FR at 47171.

²⁵ See TMK Groups' Letter, "Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Czech Republic, the Republic of Korea, Russia, and Ukraine: TMK Group's Scope Comments," dated August 17, 2020; see also Petitioner's Letter, "Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe From the Czech Republic, the Republic of Korea, the Russian Federation, and Ukraine: Response to Scope Comments," dated August 27, 2020.

²⁶ See *Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea, the Russian Federation, and Ukraine: Postponement of Preliminary Determinations in the Less-Than-Fair Value Investigations*, 85 FR 73687 (November 19, 2020) (*AD Postponement Notice*).

²⁷ The deadlines for interested parties to submit scope case and rebuttal briefs will be established in the preliminary scope decision memorandum.

unfinished; and (3) unattached couplings. Also excluded from the scope of the investigation are all mechanical, boiler, condenser and heat exchange tubing, except when such products conform to the dimensional requirements, i.e., outside diameter and wall thickness, of ASTM A-53, ASTM A-106 or API 5L specifications.

Subject seamless standard, line, and pressure pipe are normally entered under Harmonized Tariff Schedule of the United States (HTSUS) subheadings 7304.19.1020, 7304.19.1030, 7304.19.1045, 7304.19.1060, 7304.19.5020, 7304.19.5050, 7304.31.6050, 7304.39.0016, 7304.39.0020, 7304.39.0024, 7304.39.0028, 7304.39.0032, 7304.39.0036, 7304.39.0040, 7304.39.0044, 7304.39.0048, 7304.39.0052, 7304.39.0056, 7304.39.0062, 7304.39.0068, 7304.39.0072, 7304.51.5005, 7304.51.5060, 7304.59.6000, 7304.59.8010, 7304.59.8015, 7304.59.8020, 7304.59.8025, 7304.59.8030, 7304.59.8035, 7304.59.8040, 7304.59.8045, 7304.59.8050, 7304.59.8055, 7304.59.8060, 7304.59.8065, and 7304.59.8070. The HTSUS subheadings and specifications are provided for convenience and customs purposes; the written description of the scope is dispositive.

V. ALIGNMENT

In accordance with section 705(a)(1) of the Act, and 19 CFR 351.210(b)(4), and based on the petitioner's request,²⁸ we are aligning the final CVD determination in this investigation with the final determination in the companion AD investigation of seamless pipe from Korea. Consequently, the final CVD determination will be issued on the same date as the final AD determination, which is currently scheduled to be due no later than April 19, 2021, unless postponed.²⁹

VI. INJURY TEST

Because Korea is a "Subsidies Agreement Country" within the meaning of section 701(b) of the Act, the U.S. International Trade Commission (ITC) is required to determine whether imports of the subject merchandise from Korea materially injure, or threaten material injury to, a U.S. industry. On August 28, 2020, the ITC preliminarily determined that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of seamless pipe from Korea.³⁰

VII. USE OF FACTS OTHERWISE AVAILABLE AND ADVERSE INFERENCES

Section 776(a) of the Act provides that, subject to section 782(d) of the Act, Commerce shall select from "facts otherwise available" if: (1) necessary information is not on the record; or (2) 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)

²⁸ See Petitioner's Letter, "Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from Korea and Russia: Request to Align Final Determinations," dated October 15, 2020.

²⁹ See *AD Postponement Notice*.

³⁰ See *Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from Czechia, Korea, Russia, and Ukraine*, 85 FR 53398 (August 28, 2020).

significantly impedes a proceeding, or (D) provides information that cannot be verified as provided by section 782(i) of the Act.

Where Commerce determines that a response to a request for information does not comply with the request, section 782(d) of the Act provides that Commerce will so inform the party submitting the response and will, to the extent practicable, provide that party an opportunity to remedy or explain the deficiency. If the party fails to remedy or satisfactorily explain the deficiency within the applicable time limits, subject to section 782(e) of the Act, Commerce may disregard all or part of the original and subsequent responses, as appropriate.

Section 776(b) of the Act provides that Commerce may use an adverse inference in selecting from the facts otherwise available when a party fails to cooperate by not acting to the best of its ability to comply with a request for information. In doing so, Commerce is not required to determine, or make any adjustments to, a countervailable subsidy rate based on any assumptions about information an interested party would have provided if the interested party had complied with the request for information.³¹ Further, section 776(b)(2) of the Act states that an adverse inference may include reliance on information derived from the petition, the final determination from the countervailing duty investigation, a previous administrative review, or other information placed on the record.³²

Section 776(c) of the Act provides that, in general, when Commerce relies on secondary information rather than on information obtained in the course of an investigation, it shall, to the extent practicable, corroborate that information from independent sources that are reasonably at its disposal.³³ Secondary information is defined as information derived from the petition that gave rise to the investigation, the determination concerning the subject merchandise, or any previous review under section 751 of the Act concerning the subject merchandise.³⁴

Finally, under section 776(d) of the Act, when using an adverse inference when selecting from the facts otherwise available, Commerce may use a 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 countervailable subsidy rate for a subsidy program from a proceeding that Commerce considers reasonable to use.³⁵ When selecting from the facts otherwise available with an adverse inference, Commerce is not required to estimate what the countervailable subsidy rate would have been if the interested party failing to cooperate had cooperated or to demonstrate that the countervailable subsidy rate reflects an “alleged commercial reality” of the interested party.³⁶

As discussed below, for the preliminary determination, we find it appropriate to use facts available (FA) or adverse facts available (AFA) in the circumstances outlined below.

³¹ See section 776(b)(1)(B) of the Act.

³² See also 19 CFR 351.308(c).

³³ See also 19 CFR 351.308(d).

³⁴ See Statement of Administrative Action, H.R. Doc. No. 316, 103rd Congress, 2d Session (1994) (SAA) at 870.

³⁵ See section 776(d)(1) of the Act.

³⁶ See section 776(d)(3) of the Act.

A. Application of AFA: GOK – Whether the Provision of Electricity is Specific

As discussed below, the GOK did not provide complete information with respect to specificity for the provision of electricity for less than adequate remuneration (LTAR), making it necessary to rely on AFA under section 776(b) of the Act with respect to this aspect of our preliminary analysis.

Commerce requested that the GOK provide the amount and percentage of electricity provided to the steel industry during the POI and to the 10 largest industries consuming electricity during the POI.³⁷ We also requested the GOK provide the amount and percentage of electricity that is provided to each of the 100 largest industrial users of electricity during the POI. For the steel industry and the 10 largest industries consuming electricity, the GOK stated that it does not compile data on the amount and percentage of electricity provided to different industries based on a standardized classification and, thus, it was not able to provide the requested information.³⁸ The GOK added that if Commerce deems that the provision of such data is critical, then the GOK will further review whether it is practicable to prepare and provide such data.³⁹ However, even after further review, the GOK stated it may not be able to provide the requested data.⁴⁰ For the largest 100 industrial users of electricity during the POI, the GOK submitted the requested data, but the data did not include any identifiers (*e.g.*, the industry classification or the names of such users).⁴¹

We again requested that the GOK provide the data for the steel industry and the 10 largest industries consuming electricity during the POI and revise the list of the largest 100 companies to include an industry classification for each reported company.⁴² In response, the GOK stated that it is unable to provide the requested data as the Korea Electric Power Corporation (KEPCO) does not keep track of the industry classification of electricity users.⁴³ Moreover, the GOK stated that companies may have multiple classifications and it would be impossible for KEPCO to classify these companies into one industry.⁴⁴ For the largest 100 industrial consumers of electricity, the GOK again stated that KEPCO does not keep track of industrial classifications for electricity users.⁴⁵ As a result, the GOK provided limited or no data regarding the information that is necessary for Commerce to perform an analysis of whether the program is *de facto* specific.

Although the GOK has stated KEPCO does not track this information, the GOK has provided this information to Commerce for a similar allegation in prior investigations.⁴⁶ Consequently,

³⁷ See Initial Questionnaire at Section II (page 5).

³⁸ See GOK IQR at 18.

³⁹ *Id.*

⁴⁰ *Id.* at 18-19.

⁴¹ *Id.* at Exhibit E-10.

⁴² See GOK Second Supplemental Questionnaire at questions 10 and 12.

⁴³ See GOK 2SQR at 7.

⁴⁴ *Id.* (citing the example of the mandatory respondent Iljin).

⁴⁵ *Id.*

⁴⁶ See, *e.g.*, Petition at Exhibit II-26 at 20, question 32 (citing the Initial Questionnaire Response from the GOK for the Certain Hot-Rolled Steel Flat Products from Korea CVD Investigation). The GOK provides the same requested data for a provision of electricity for less than adequate remuneration allegation. See also GOK IQR at Exhibit E-19 at 22.

we preliminarily determine that necessary information is not available on the record and that the GOK has withheld information that was requested of it and significantly impeded this proceeding. Therefore, Commerce must rely on FA in making our preliminary determination, in accordance with sections 776(a)(1) and 776(a)(2)(A) and (C) of the Act. Moreover, we preliminarily determine that the GOK failed to cooperate by not acting to the best of its ability to comply with our request for information. As such, an adverse inference is warranted in the application of FA pursuant to section 776(b) of the Act. In drawing an adverse inference, we preliminarily find that the GOK's provision of electricity is specific within the meaning of section 771(5A)(D)(iii) of the Act. For details on the calculation of the subsidy rate of Iljin, *see infra* at "Provision of Electricity for LTAR" under "Analysis of Programs."

B. Application of FA: GOK – Calculation of the Benefit for the Provision of Electricity

As discussed below, the GOK did not provide complete information with respect to benefit for its provision of electricity for LTAR, making it necessary to rely on FA under section 776(a) of the Act in our preliminary electricity for LTAR analysis.

In order to investigate fully the allegation regarding the provision of electricity for LTAR, Commerce requested that the GOK provide information and data regarding costs associated with the generation, distribution, and sale of electricity in Korea.⁴⁷ One specific document requested was the cost report that KEPCO files annually with the Ministry of Trade, Industry and Energy (MOTIE).⁴⁸ In response, the GOK provided annualized cost data for 2013 and 2019.⁴⁹ With regard to our request for cost recovery information (including return on capital) on a tariff classification basis, the GOK stated the data are calculated and made available in October or November of the succeeding year and it provided cost recovery data for 2018.⁵⁰

In the GOK Second Supplemental Questionnaire, we again requested the cost data submitted to MOTIE on an annual basis for 2019 and included a request for the current version, if not finalized.⁵¹ In response, the GOK stated that the finalized data for the year 2019 are not yet available and that KEPCO could not provide the current version as it is sensitive information that is not finalized.⁵² We then made a separate request for KEPCO's 2019 fair rate of return/rate of investment and the GOK responded that these data would be available when KEPCO finalizes the 2019 cost data.⁵³ As noted below, to conduct a benefit analysis under 19 CFR 351.511(a)(2)(iii), we require information on whether the government price is consistent with market principles, which could include the government's price-setting philosophy, whether the price charged is sufficient to recover costs with a rate of return sufficient to ensure future operations, or whether there is discrimination among various types of users.⁵⁴

⁴⁷ See Initial Questionnaire at Section II (pages 3-7).

⁴⁸ *Id.* at 6-7.

⁴⁹ See GOK IQR at 24.

⁵⁰ *Id.* at 18.

⁵¹ See GOK Second Supplemental Questionnaire at question 18.b.

⁵² See GOK 2SQR at 10.

⁵³ See GOK 4SQR at 2.

⁵⁴ See *Countervailing Duties; Final Rule*, 63 FR 65348 (November 25, 1998) (*CVD Preamble*) at 65378.

Consequently, we preliminarily determine that necessary information is not available on the record and that the GOK has withheld information that was requested of it and significantly impeded this proceeding. Therefore, Commerce must rely on FA in making our preliminary determination, in accordance with sections 776(a)(1) and 776(a)(2)(A) and (C) of the Act. The missing 2019 KEPCO cost information is an integral piece to fully understand how the costs are allocated and relate to each tariff classification. Subsequently, for the preliminary determination, as FA, we find that KEPCO did not recover its costs under a Tier 3 benchmark analysis, based on the best available record evidence.⁵⁵ For details on the discussion and calculation of the subsidy rate of Iljin, *see infra* at “KEPCO’s Provision of Electricity for LTAR” under “Analysis of Programs.”

C. Application of AFA: GOK – Whether the Korea Development Bank (KDB) General Operating Financing Loans are Specific

As discussed below, the GOK did not provide complete information with respect to specificity for the KDB General Operating Financing Loans, making it necessary to rely on AFA under section 776(b) of the Act in our preliminary analysis.

In response to certain questions regarding program usage in the standard questions appendix in the GOK IQR, the GOK stated that the KDB no longer compiles information regarding the total number of companies that were approved for assistance under each lending program it offers.⁵⁶ We again requested the GOK to provide the this information.⁵⁷ In the event that the GOK could not provide information specific to the program at issue, we also requested information on the total number of companies that were approved for assistance under *all* of the KDB’s programs.⁵⁸ In response, the GOK repeated its claim that the KDB no longer compiles information on the total number of companies that were approved for assistance under each program that Iljin reported, nor under all of the KDB’s programs.⁵⁹

The KDB program at issue does not appear to be an export or import substitution subsidy or otherwise appear to be *de jure* specific.⁶⁰ Thus, Commerce must examine whether this program is *de facto* specific. Because the GOK did not provide the requested information, the necessary information to determine the existence of *de facto* specificity is missing from the record.

Consequently, we preliminarily determine that necessary information is not available on the record and that the GOK has withheld information that was requested of it and significantly impeded this proceeding. Therefore, Commerce must rely on FA in making our preliminary determination, in accordance with sections 776(a)(1) and 776(a)(2)(A) and (C) of the Act.

⁵⁵ See Memorandum, “Countervailing Duty Investigation of Seamless, Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea: Government of the Republic of Korea (GOK) Business Proprietary Information Regarding the Provision of Electricity for Less Than Adequate Remuneration,” dated concurrently with this memorandum (GOK Electricity for LTAR BPI Memorandum).

⁵⁶ See GOK IQR at 364.

⁵⁷ See GOK Second Supplemental Questionnaire at question 33.

⁵⁸ *Id.*

⁵⁹ See GOK 2SQR at 18.

⁶⁰ See GOK 1SQR at Appendix 12 and Exhibit SQR1KDB-1; *see also* GOK 2SQR at 16; and GOK IQR at Exhibits KDB-11 and KDB-12.

Moreover, we preliminarily determine that the GOK failed to cooperate by not acting to the best of its ability to comply with our request for information. As such, an adverse inference is warranted in the application of FA pursuant to section 776(b) of the Act. In drawing an adverse inference, we preliminarily find that the KDB General Operating Financing Loans are specific within the meaning of section 771(5A)(D)(iii) of the Act. For details on the calculation of the subsidy rate of Iljin, *see infra* at “KDB General Operating Financing Loans” under “Analysis of Programs.”

VIII. SUBSIDIES VALUATION INFORMATION

A. Allocation Period

Commerce normally allocates the benefits from non-recurring subsidies over the average useful life (AUL) of renewable physical assets used in the production of subject merchandise.⁶¹ Commerce finds the AUL in this proceeding to be 15 years, pursuant to 19 CFR 351.524(d)(2) and the U.S. Internal Revenue Service’s 1977 Class Life Asset Depreciation Range System.⁶² Commerce notified the respondents of the AUL in the initial questionnaire and requested data accordingly. No party in this proceeding disputed this allocation period.

Furthermore, 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 value 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 value 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 AUL.

B. Attribution of Subsidies

Under 19 CFR 351.525(b)(6)(i), Commerce normally attributes a subsidy to the products produced by the corporation that received the subsidy. However, 19 CFR 351.525(b)(6)(ii)-(v) provides additional rules for the attribution of subsidies received by respondents with cross-owned affiliates. Subsidies to the following types of cross-owned affiliates are covered in these additional attribution rules: (ii) producers of the subject merchandise; (iii) holding companies or parent companies; (iv) producers of an input that is primarily dedicated to the production of the downstream product; or (v) an affiliate producing non-subject merchandise that otherwise transfers a subsidy to a respondent. Further, 19 CFR 351.525(c) provides that benefits from subsidies provided to a trading company which exports subject merchandise shall be cumulated with benefits from subsidies provided to the firm producing the subject merchandise that is sold through the trading company, regardless of affiliation.

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

⁶¹ See 19 CFR 351.524(b).

⁶² See U.S. Internal Revenue Service Publication 946 (2008), “How to Depreciate Property,” at Table B-2: Table of Class Lives and Recovery Periods.

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.⁶³

Iljin reported that it is a domestically owned enterprise engaged in the production and sale of various pipe and tube products, including subject merchandise.⁶⁴ Iljin reported that it had no affiliated parties that also manufactured the subject merchandise; it had no parent or holding company; no affiliated party supplied an input product to Iljin for the production of the downstream product manufactured by Iljin; and no affiliated company received a subsidy that it transferred to Iljin at any point during the POI or the AUL period.⁶⁵ Iljin reported that during the POI and the AUL period, there was only one affiliated company that supplied an input to Iljin for the manufacture of any subject- or non-subject merchandise.⁶⁶ Iljin requested that it be exempted from reporting on behalf of this affiliated company that provided negligible amounts of an input into the subject merchandise.⁶⁷ Based on the additional information provided by Iljin regarding the nature of this supplier's business activities, the nature of the input at issue, and the volume of such an input purchased from this affiliate, Commerce determined that Iljin was not required to submit a questionnaire response for the aforementioned affiliate.⁶⁸ Therefore, in accordance with 19 CFR 351.525(b)(6)(i), we are preliminarily attributing subsidies received by Iljin to its own sales.

Iljin reported that it sold subject merchandise directly to unaffiliated customers in the United States, other than some export sales of subject merchandise to the United States via an unaffiliated trading company (*i.e.*, the Trader discussed above) during the POI.⁶⁹ As mentioned above, Iljin requested that it be exempted from reporting on behalf of Trader based on the small quantities of seamless pipe that were exported through this unaffiliated Trader.⁷⁰ However, Commerce continued to request a full questionnaire response for Trader.⁷¹ Iljin stated that there were no other exporting trading companies to which Iljin sold the subject merchandise during the POI for exportation to the United States.⁷² Iljin further stated that during the POI, Trader, who is not a producer, exported to the United States only subject merchandise which it purchased from Iljin.⁷³ In accordance with Commerce's questionnaire, Trader submitted a complete questionnaire response and responded to the applicable supplemental questionnaires.

Pursuant to 19 CFR 351.525(c), benefits from subsidies provided to a trading company that exports subject merchandise shall be cumulated with benefits from subsidies provided to the firm

⁶³ See *Fabrique de Fer de Charleroi v. United States*, 166 F. Supp. 2d 593, 600-604 (CIT 2001).

⁶⁴ See Iljin IQR at III-4 and III-6.

⁶⁵ See Iljin SAFQR at 5.

⁶⁶ *Id.* at 3.

⁶⁷ See Iljin's Reporting Modification Request.

⁶⁸ See Commerce's September 17, 2020 Response to Iljin's Reporting Request; *see also* Iljin September 4, 2020 SQR.

⁶⁹ See Iljin AFQR at III-2.

⁷⁰ See Iljin's Reporting Modification Request; *see also* Iljin AFQR at III-3.

⁷¹ See Commerce's September 17, 2020 Response to Iljin's Reporting Request.

⁷² See Iljin SAFQR at 1.

⁷³ See Trader AFQR at III-2.

that is producing subject merchandise that is sold through the trading company, regardless of whether the trading company and the producing firm are affiliated. Because Trader is a trading company through which Iljin exported certain subject merchandise, we are cumulating the benefits from subsidies received by Trader with the benefits from subsidies received by Iljin based on the ratio of Trader's exports to the United States of subject merchandise that were produced by Iljin during the POI (based on value).⁷⁴ As discussed *infra* at the Appendix section, we preliminarily determine that Trader either did not use subsidy programs that we initiated on or did not have any measurable benefits from subsidies that it reported. Therefore, there are effectively no subsidy benefits provided to Trader, and we have not cumulated any such benefits with benefits provided to Iljin to calculate Iljin's total *ad valorem* subsidy rate.⁷⁵

C. Loan Benchmarks and Interest Rates

Section 771(5)(E)(ii) of the Act states that the benefit for loans is the "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," indicating that a benchmark must be a market-based rate. In addition, 19 CFR 351.505(a)(3)(i) stipulates that when selecting a comparable commercial loan that the recipient "could actually obtain on the market" Commerce will normally rely on actual loans obtained by the firm. However, when there are no comparable commercial loans, Commerce "may use a national average interest rate for comparable commercial loans," pursuant to 19 CFR 351.505(a)(3)(ii).

Short-Term Korean Won (KRW)- and U.S. Dollar (USD)-Denominated Loans

Iljin reported receiving short-term financing from the Korea Export-Import Bank (KEXIM) and short-term financing from the KDB during the POI.⁷⁶ Iljin provided information about short-term loans from commercial banks for consideration as comparable commercial loans for purposes of identifying an interest rate benchmark.⁷⁷ Consistent with 19 CFR 351.505(a)(2), we preliminarily determine that the loans that Iljin provided constitute comparable commercial loans, and it is appropriate to use these loans to calculate a weighted-average benchmark interest rate.⁷⁸ During the POI, Trader also had outstanding short-term financing from the Korean Ministry of SMEs and Startups (KOSME).⁷⁹ Trader provided information about short-term financing for consideration as a comparable commercial loan for purposes of identifying an interest rate benchmark.⁸⁰ However, Trader did not provide commercial short-term financing for the year in which the terms of the loan were agreed upon for its KOSME loan. 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,

⁷⁴ For the denominators used in the preliminary calculations, see Memorandum, "Countervailing Duty Investigation of Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea: Iljin Preliminary Calculation Memorandum," dated concurrently with this memorandum (Iljin Preliminary Calculation Memorandum).

⁷⁵ *Id.*

⁷⁶ See Iljin IQR at Exhibits B-1, I-5, I-9 and I-16; see also Iljin 1SQR Exhibit Supp-ILJIN-13.

⁷⁷ See Iljin IQR Exhibits B-5 and I-6.

⁷⁸ See Iljin Preliminary Calculation Memorandum.

⁷⁹ See Trader IQR at Exhibit I-10.

⁸⁰ See Trader IQR Exhibit I-12.

consistent with past practice in other Korean CVD proceedings.⁸¹ The interest rate benchmarks used in our preliminary calculations are provided in the Iljin Preliminary Calculation Memorandum.

Long-Term KRW- and USD Denominated Loans

During the POI, Iljin had an outstanding long-term USD-denominated loan from KDB.⁸² During the POI, Trader had an outstanding long-term KRW-denominated loan from KOSME. As noted above, as benchmarks for countervailable subsidies in the form of long-term loans, we typically use, where available, the company-specific interest rates on the company's comparable commercial loans.⁸³ In cases where such loans are not available, we use, where available, the company-specific corporate bond rate based on the company's public and private bonds. Iljin provided information about its commercial long-term financing for consideration as a comparable commercial loan for purposes of identifying an interest rate benchmark.⁸⁴ However, Iljin did not provide a commercial long-term loan for the year in which the terms of the loan were agreed upon for its USD-denominated long-term KDB loan. In addition, Trader did not provide any KRW-denominated commercial long-term loans for purposes of benchmarks. Further, both Iljin and Trader did not provide any company-specific bond rates. As such, for Trader's KRW-denominated long-term loan, we relied on data (*i.e.*, the yearly won-denominated corporate bond or corporate paper rate in Korea) from the IMF's *International Financial Statistics* for the year in which the terms of the loan were agreed upon.⁸⁵ This is consistent with the approach Commerce took in *Large Residential Washers from Korea* and *NOES from Korea*.⁸⁶ For the USD-denominated loan Iljin reported, we used the long-term U.S. government bond yield rate, as reported by the IMF's *International Financial Statistics*, consistent with *CRS from Korea 2017 AR*.⁸⁷ The interest rate benchmarks and discount rates used in our preliminary calculations are provided in the Iljin Preliminary Calculation Memorandum.

D. Discount Rates

⁸¹ 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), and accompanying Issues and Decision Memorandum (IDM) at 9.

⁸² See Iljin ISQR Exhibit Supp-ILJIN-17.

⁸³ See 19 CFR 351.505(a)(3).

⁸⁴ See Iljin IQR at Exhibit I-21.

⁸⁵ See Iljin Preliminary Calculation Memorandum at Attachment 2.

⁸⁶ See *Large Residential Washers from the Republic of Korea: Preliminary Affirmative Countervailing Duty Determination and Alignment of Final Determination with Final Antidumping Determination*, 77 FR 33181 (June 5, 2012), and accompanying PDM at 6, unchanged in *Large Residential Washers from the Republic of Korea: Final Affirmative Countervailing Duty Determination*, 77 FR 75975 (December 26, 2012), and accompanying IDM at 6 (*Large Residential Washers from Korea*); 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) (*NOES from Korea*), and accompanying IDM at 4-6.

⁸⁷ See *Certain Cold-Rolled Steel Flat Products from the Republic of Korea: Preliminary Results of Countervailing Duty Administrative Review; 2017*, 84 FR 60377 (November 8, 2019), and accompanying PDM at 12, unchanged in *Certain Cold-Rolled Steel Flat Products from the Republic of Korea: Final Results of Countervailing Duty Administrative Review; 2017*, 85 FR 38361 (June 26, 2020) (*CRS from Korea 2017 AR*).

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. For allocating the benefit from non-recurring subsidies, we have used the yearly KRW-denominated corporate bond or corporate paper rate in Korea from the IMF's *International Financial Statistics* for the year in which the government agreed to provide the subsidy, consistent with 19 CFR 351.524(d)(3)(i)(A). The discount rates used in our preliminary calculations are provided in the Iljin Preliminary Calculation Memorandum.

E. Denominators

When selecting an appropriate denominator for use in calculating the *ad valorem* subsidy rate, Commerce considers the basis for the respondents' receipt of benefits under each program. As discussed in further detail below in the "Programs Preliminarily Determined to be Countervailable" section, where the program has been found to be countervailable as a domestic subsidy, we used the recipient's total sales as the denominator. Similarly, where the program has been found to be countervailable as an export subsidy, we used the recipient's total export sales as the denominator. In the sections below, we describe the denominators we used to calculate the countervailable subsidy rates for the various subsidy programs.

IX. ANALYSIS OF PROGRAMS

A. Programs Preliminarily Determined to be Countervailable

1. Provision of Electricity for LTAR

The petitioner alleged that KEPCO, a state-owned entity, provides electricity to the Korean steel industry, including producers of the subject merchandise, for LTAR.⁸⁸ KEPCO was established and operates pursuant to the Korea Electric Power Corporation Act and its Enforcement Decree, as well as the Electricity Business Law.⁸⁹ KEPCO is an integrated electric utility company engaged in the transmission and distribution of substantially all of the electricity in Korea.⁹⁰ In addition, through its six wholly-owned power-generating subsidiaries, KEPCO generates the substantial majority of the electricity produced in Korea.⁹¹ MOTIE also has the authority to supervise the electricity business in Korea and exercises the authority to approve the electricity tariff rates.⁹² Under Korean law, the GOK is required to own, directly or indirectly, at least 51 percent of KEPCO's capital, which allows the GOK to control the approval of corporate matters relating to KEPCO.⁹³ The GOK also exercises significant control over KEPCO's business and operations.⁹⁴ Accordingly, we preliminarily determine, as we did in *Welded Line Pipe from*

⁸⁸ See CVD Initiation Checklist.

⁸⁹ See GOK IQR at 62.

⁹⁰ See GOK IQR at Exhibit E-2 (*i.e.*, KEPCO Form 20-F Filing with the U.S. Securities and Exchange Commission (SEC) at page 30).

⁹¹ *Id.*

⁹² *Id.* See also GOK IQR at 5-6.

⁹³ See GOK IQR at Exhibit E-2 (page 30).

⁹⁴ *Id.* at Exhibit E-2 (page 7).

Korea,⁹⁵ that electricity tariffs that are charged by KEPCO are regulated and approved by the GOK. In addition, we preliminarily find that the GOK exercises significant control over KEPCO through its majority ownership and pursues government policy objectives through KEPCO's business and operations.⁹⁶ Accordingly, we find KEPCO to be an "authority" within the meaning of section 771(5)(B) of the Act. Therefore, we determine that a financial contribution in the form of the provision of a good or service under section 771(5)(D)(iii) of the Act is being provided to producers of the subject merchandise.

With regard to specificity, as detailed above at the "Use of Facts Otherwise Available and Adverse Inferences" section, we preliminarily determine that the provision of electricity for LTAR is specific within the meaning of section 771(5A)(D)(iii) of the Act, based on AFA.

With regard to whether a benefit was provided within the meaning of section 771(5)(E)(iv) of the Act, information in the record indicates there was one electricity tariff schedule in effect during that POI which became effective in November 2013 and remained in effect throughout the POI.⁹⁷ In order to change (increase or decrease) electricity tariffs, KEPCO first makes an application to MOTIE.⁹⁸ When MOTIE receives the application, it notifies the Ministry of Economy and Finance (MOEF) of the main contents of the application.⁹⁹ MOEF examines the proposed tariff rate changes if there is a critical issue that could affect the consumer price index.¹⁰⁰ After receiving the response from the MOEF, MOTIE makes a request to the Electricity Regulatory Commission (KOERC) for a review of KEPCO's application.¹⁰¹ After the KOERC's review, MOTIE will determine whether to issue an approval for KEPCO's application.¹⁰²

Under 19 CFR 351.511(a)(2), Commerce determines whether electricity is provided for LTAR by comparing, in order of preference: (i) the government price to a market determined price for actual transactions within the country such as electricity tariffs from private parties (referred to as a Tier 1 Benchmark); (ii) the government price to a world market price where it would be reasonable to conclude that such a world market price is available to electricity consumers in the country in question (referred to as a Tier 2 Benchmark); or (iii) if no world market price is available then Commerce will measure the adequacy of remuneration by assessing whether the government price is consistent with market principles (referred to as a Tier 3 Benchmark).

KEPCO provides substantially all of the electricity in Korea, and the GOK regulates the rates that KEPCO charges for electricity by approving KEPCO's application to change the electricity tariff rates.¹⁰³ A minimal amount of electricity is supplied directly to consumers on a localized

⁹⁵ See *Welded Line Pipe from the Republic of Korea: Final Negative Countervailing Duty Determination*, 80 FR 61365 (October 13, 2015) (*Welded Line Pipe from Korea*), and accompanying IDM at 13.

⁹⁶ See, e.g., GOK IQR at Exhibit E-2, pages 7 and 32.

⁹⁷ See GOK IQR at 19 (The residential progressive rates were modified in 2017, but this did not change the residential tariff schedule.)

⁹⁸ *Id.* at 6.

⁹⁹ *Id.*

¹⁰⁰ *Id.* at 8; see also GOK 2SQR at 2.

¹⁰¹ See GOK IQR at 6.

¹⁰² *Id.*

¹⁰³ *Id.* at 7-9 and Exhibit E-2, page 30.

basis by independent power producers.¹⁰⁴ However, if the government provider constitutes a majority, or in certain circumstances, a substantial portion of the market, as in this case, Commerce determines that prices within the country are distorted and cannot be used for benchmark purposes. Therefore, we determine that a Tier 1 Benchmark (a price within the country) is not available.¹⁰⁵

The next alternative in the benchmark hierarchy is to use world market prices. However, under 19 CFR 351.511(a)(2)(ii), Commerce will only use world market prices if the good or service is actually available to the purchaser in the country under investigation. With respect to electricity, Commerce has stated that electricity prices from countries in the world market are normally not available to purchasers in the country under investigation.¹⁰⁶ The GOK has stated that there is no cross-border transmission or distribution of electricity in Korea;¹⁰⁷ therefore, we determine that we cannot rely on world market prices to determine whether electricity is provided for LTAR.

The final alternative in the benchmark hierarchy, set forth under 19 CFR 351.511(a)(2)(iii), is to determine whether the government price is consistent with market principles.¹⁰⁸ Therefore, we preliminarily determine to use a Tier 3 Benchmark to examine whether Iljin has received countervailable benefits from the provision by KEPCO of electricity for LTAR. Under a Tier 3 Benchmark analysis, Commerce will assess whether the prices charged by KEPCO are set in accordance with market principles through an analysis of such factors as KEPCO's price-setting

¹⁰⁴ *Id.* at 7 and Exhibit E-2 (page 75).

¹⁰⁵ See *CVD Preamble*, 63 FR 65348, 65377:

We normally do not intend to adjust such prices to account for government distortion of the market. While we recognize that government involvement in a market may have some impact on the price of the good or service in that market, such distortion will normally be minimal unless the government provider constitutes a majority or, in certain circumstances, a substantial portion of the market. Where it is reasonable to conclude that actual transaction prices are significantly distorted as a result of the government's involvement in the market, we will resort to the next alternative in the hierarchy.

¹⁰⁶ *Id.*:

Paragraph (a)(2)(ii) provides that, if there are no useable market-determined prices stemming from *actual* transactions, we will turn to world market prices that *would be available* to the purchaser. We will consider whether the market conditions in the country are such that it is reasonable to conclude that the purchaser could obtain the good or service on the world market. For example, a European price for electricity normally would not be an acceptable comparison price for electricity provided by a Latin American government, because electricity from Europe in all likelihood would not be available to consumers in Latin America.

¹⁰⁷ See GOK IQR at 8.

¹⁰⁸ See *CVD Preamble* at 65378:

Paragraph (a)(2)(iii) provides that, in situations where the government is clearly the only source available to consumers in the country, we normally will assess whether the government price was established in accordance with market principles. Where the government is the sole provider of a good or service, and there are no world market prices available or accessible to the purchaser, we will assess whether the government price was set in accordance with market principles through an analysis of such factors as the government's price-setting philosophy, costs (including rates of return sufficient to ensure future operations), or possible price discrimination. We are not putting these factors in any hierarchy, and we may rely on one or more of these factors in any particular case. In our experience, these types of analyses may be necessary for such goods or services as electricity, land leases, or water, and the circumstances of each case vary widely. See, e.g., *Final Affirmative Countervailing Duty Determinations: Pure Magnesium and Alloy Magnesium from Canada*, 57 FR 30946, 30954 (July 13, 1992) and *Final Affirmative Countervailing Duty Determination: Venezuelan Wire Rod*, 62 FR 55014, 55021-22 (October 22, 1997).

philosophy and costs (including rates of return sufficient to ensure future operations). We have not put these factors in any hierarchy, and we may rely on one or more of these factors in any particular case.¹⁰⁹

With regard to our Tier 3 analysis, the GOK stated the applicable tariff schedule during the POI came into effect in November 2013.¹¹⁰ In addition to the approval process noted above, to develop the electricity tariff schedule that was applicable during the POI, KEPCO first calculated the aggregate amount of its cost including a reasonable amount for investment return.¹¹¹ This cost includes the operational cost for generating, transmitting, and distributing electricity, as well as the return on investment.¹¹² The cost for each electricity classification was calculated by: (1) distributing the overall cost according to the stages of providing electricity (generation, transmission, distribution, and sales); (2) dividing the distribution cost into high voltage, low voltage and the customer management cost; (3) dividing the sales cost into the customer management fee and other costs; (4) distributing each cost into fixed and variable charges; and (5) then dividing the cost into each class considering the load level, the electricity consumption pattern, and the amount of the electricity consumed.¹¹³ Costs were then distributed according to the number of consumers for each classification of electricity.¹¹⁴

Commerce has previously evaluated the process and underlying methodology to develop and approve the November 2013 tariff schedule and determined it was set according to market principles.¹¹⁵ In our determination, we noted the GOK had a pricing methodology in place and that it considered costs and a return on investment. In this proceeding, the GOK has placed on the record application and approval documents,¹¹⁶ cost information,¹¹⁷ and Commerce's electricity verification report from *CORE from Korea* associated with the November 2013 tariff schedule.¹¹⁸ We preliminarily determine there are no changes from these prior findings for the 2013 tariff schedule.

¹⁰⁹ *Id.*, 63 FR at 65378. The Court of Appeals for the Federal Circuit, in *Nucor Corp.*, made clear that a finding of preferential pricing alone is not sufficient to conclude that the government price is inconsistent with market principles. *See Nucor Corp. v United States* 927 F.3d 1243 (Fed. Cir. 2019) (*Nucor Corp.*) at 1254.

¹¹⁰ *See* GOK IQR at 19.

¹¹¹ *See* GOK IQR at 13.

¹¹² *Id.*

¹¹³ *Id.*

¹¹⁴ *See* GOK IQR at 13; *see also* GOK 1SQR at SQR1E-1.

¹¹⁵ *See 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), and accompanying IDM at Comment 2; *see also Countervailing Duty Investigation of Certain Hot-Rolled Steel Flat Products from the Republic of Korea: Final Affirmative Determination*, 81 FR 53439 (August 12, 2016), and accompanying IDM at Comment 2; *Countervailing Duty Investigation of Certain Cold-Rolled Steel Flat Products From the Republic of Korea: Final Affirmative Determination*, 81 FR 4996 (July 29, 2016), and accompanying IDM at Comment 2; *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 5310 (June 2, 2016), and accompanying IDM at Comment 2; and *Welded Line Pipe* and accompanying IDM at Comment 1.

¹¹⁶ *Id.* at 10 and 20-22.

¹¹⁷ *See* GOK 2SQR at Exhibit SQRE-8.

¹¹⁸ *See* GOK IQR at Exhibit E-19.

Because the rates have not been adjusted since 2013, we next turn to information provided by the GOK as it pertains to the POI. In its response, the GOK documented the requirements under the laws and regulations to provide its cost data to MOTIE each year, the methodology it uses to report its cost to MOTIE, and the process it would undertake to adjust the tariff schedule.¹¹⁹ Moreover, the GOK has stated that Article 7 of the Electricity Business Law and Article 11 of the Notification on the Power Generating Business Approval Criteria, Electricity Tariff Calculation Standard, the Permitted Error of the Electric Consumption Measuring Instrument, and Scope of the Business Operations related to Electricity (Notification) mandate that the tariff rate for each class be set to cover the cost for the corresponding electricity class, which includes a reasonable amount of investment return.¹²⁰

As noted in the “Use of Facts Otherwise Available and Adverse Inferences” section, the GOK provided 2019 annual cost data, but did not provide the requested cost data submitted to MOTIE. The requested cost data, as outlined by the GOK in its submission, provides the operating costs that include generation, transmission, distribution of electricity and the return on investment.¹²¹ The GOK also stated that KEPCO submits the data to MOTIE each year and further notes that the data aggregate the electricity costs across classes.¹²² Without these data, Commerce does not have the necessary level of cost data on the record to conduct a Tier 3 analysis as it relates to the industrial tariff class. As noted above, the GOK has stated that the requested 2019 cost data and the rate of return have not been finalized and are usually submitted to MOTIE in October or November of the succeeding year. While we do not have the requested cost data, the GOK has submitted KEPCO’s 2019 annual cost data and, as facts available, we have used this information to preliminarily determine that KEPCO electricity tariffs are not based on market principles during 2019 because KEPCO did not recover its costs (including a rate of return to ensure future operations) pursuant to 19 CFR 351.511(a)(2)(iii).¹²³

During the POI, Iljin purchased electricity from KEPCO.¹²⁴ To calculate the benefit, pursuant to 19 CFR 351.511(a)(2)(iii), we used KEPCO’s reported 2019 annual data to determine the percentage increase in electricity rates necessary to recover its cost. In addition to providing this cost data, the GOK also stated that KEPCO’s rate of return for 2019 was not finalized. As such, to include profit in our benefit calculation, we applied facts available and used a rate of return provided on the record.¹²⁵ We combined the necessary percentage increase and the rate of return and multiplied it by monthly tariff rates and the base fee that Iljin reported it paid for electricity during the POI. The resulting additional per unit amount was then multiplied by the corresponding monthly quantity of electricity used to derive a benefit. These monthly amounts were then summed and divided by Iljin’s total sales. On this basis, we preliminarily determine

¹¹⁹ *Id.* at 5-14.

¹²⁰ *Id.* at 11 (According to Article 14 of the Notification, the tariff rates can be adjusted after considering customers’ economic circumstances and other societal factors.)

¹²¹ *Id.* at 13-14.

¹²² *Id.*

¹²³ See GOK Electricity for LTAR BPI Memorandum.

¹²⁴ See Iljin IQR at III-10. Trader also used electricity, but it stated that it does not make direct payments to KEPCO or any other electricity provider because it pays a monthly lump-sum maintenance charge which includes electricity and other utilities to the lessor of its only sales office. As such, we placed this program as non-used in the appendix of this decision memorandum. See Trader IQR at III-10

¹²⁵ See GOK Electricity for LTAR BPI Memorandum.

that Iljin received a countervailable subsidy rate of 0.35 percent *ad valorem* under this program.¹²⁶

2. **Restriction of Special Taxation Act (RSTA) Article 10(1)(3) - Tax Reduction for Research and Human Resources Development**

Iljin reported receiving tax benefits through RSTA Article 10(1)(3), based on its 2019 filing of tax returns for the year 2018.¹²⁷ Introduced in 1982 under the then Tax Exemption and Reduction Regulating Act, this program aims to facilitate Korean corporations' investment in research and development (R&D) activities through a reduction of taxes payable for eligible expenditures.¹²⁸ The tax reduction is administered by the National Tax Service (NTS),¹²⁹ under the direction of the MOEF, and manifests itself as either up to 50 percent of the difference between the eligible expenditures in the tax year and the average of the prior four years, or a maximum of 25 percent of the eligible expenditures in the current tax year.¹³⁰ Article 10(1)(3) of the RSTA is the law authorizing the reduction, which outlines the criteria and amount of assistance to be provided.¹³¹

The tax credits provided under this program constitute financial contributions in the form of revenue foregone by the government under section 771(5)(D)(ii) of the Act, and this program provides a benefit to the recipient in the amount of the difference between the taxes it paid and the amount of taxes that it would have paid in the absence of this program, pursuant to 19 CFR 351.509(a)(1). Based on the information provided by the GOK in this investigation, consistent with our determination in *NOES from Korea*,¹³² we continue to find this program *de facto* specific under section 771(5A)(D)(iii)(I) of the Act because the actual recipients are limited in number, as only 0.03 percent of corporate tax payers used this program, based upon corporate tax returns filed in 2018.¹³³ Therefore, we preliminarily find this program countervailable.

To calculate the benefit, we divided the amount of the tax savings received by Iljin by its total sales during the POI. On this basis, we preliminarily determine that Iljin received a countervailable subsidy rate of 0.05 percent *ad valorem* under this program.¹³⁴

¹²⁶ See Iljin Preliminary Calculation Memorandum.

¹²⁷ See Iljin IQR at III-25; and Exhibits 5 and G-1.

¹²⁸ See GOK IQR at 172-174 and 186.

¹²⁹ *Id.* at 172 and 175.

¹³⁰ *Id.* at 173-175 and 177-178.

¹³¹ *Id.* at 178.

¹³² In *NOES from Korea*, where only 3.01 percent of Korean corporate tax filers used this program, we found the program *de facto* specific under section 771(5A)(D)(iii)(I) of the Act because the actual recipients are limited in number. See *NOES from Korea* IDM at 13.

¹³³ See GOK IQR at 182, wherein the GOK indicates that of the 740,215 corporate tax returns were filed in 2018, only 232 received benefits under this tax credit program, or 0.03 percent of all corporate tax filers; see also GOK IQR at Exhibit TAX-1, Table 8-1-1 and 8-3-2.

¹³⁴ See Iljin Preliminary Calculation Memorandum.

3. **RSTA Article 26 - GOK Facilities Investment Support**

Iljin reported receiving benefits under this program.¹³⁵ Article 26 was first introduced through the RSTA in 1982, and it provides tax incentives to encourage companies to make investments in geographic locations outside of the overcrowding control region of the Seoul Metropolitan Area.¹³⁶ Eligible companies are able to claim a tax credit of up to ten percent of eligible investments in facilities.¹³⁷ The tax deduction is administered by the NTS, under the direction of the MOEF.¹³⁸ The GOK states that Article 26 was revised in 2010, adding job creation as a requirement for companies to qualify for tax deductions for facilities investments, and that the article has been renamed “tax credit for employment-creating investments.”¹³⁹ Article 26 of the RSTA is the law authorizing the deduction, which is implemented through Article 23 of the Enforcement Decree of the RSTA.¹⁴⁰

The tax credits are a financial contribution in the form of revenue forgone by the government under section 771(5)(D)(ii) of the Act, and provide a benefit to the recipient in the amount of the difference between the taxes it paid and the amount of taxes that it would have paid in the absence of this program, pursuant to 19 CFR 351.509(a)(1). 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. Accordingly, Commerce preliminarily determines that this program is regionally specific in accordance with section 771(5A)(D)(iv) of the Act. This finding is consistent with our determination in *Welded Line Pipe from Korea* and *Large Residential Washers from Korea*.¹⁴¹

To calculate the benefit received by Iljin, we divided the amount of the tax savings received by Iljin’s total sales during the POI. On this basis, we preliminarily determine that Iljin received a countervailable subsidy rate of 0.08 percent *ad valorem* under this program.¹⁴²

4. **Restriction of Special Local Taxation Act (RSLTA) Article 78 - Acquisition and Property Tax Benefits to Companies in Industrial Complexes**

Iljin reported receiving exemptions from local property taxes under RSLTA Article 78.¹⁴³ Article 78 provides that any entity acquiring real estate in a designated industrial complex for the purpose of constructing new buildings or renovating existing ones shall be subject to reduced acquisition taxes.¹⁴⁴ In addition, the entity which: (1) constructed or expanded industrial buildings; or (2) acquired real estate in these designated industrial complexes shall have the

¹³⁵ See Iljin IQR at III-27 and Exhibit G-8.

¹³⁶ See GOK Questionnaire Response at 239-242.

¹³⁷ *Id.*

¹³⁸ *Id.* at 238 and 242.

¹³⁹ *Id.* at 238.

¹⁴⁰ *Id.* at 239 and Exhibit TAX-2.

¹⁴¹ See *Welded Line Pipe from Korea* IDM at 10; see also *Large Residential Washers from Korea* PDM at 14, unchanged in final, and upheld in *Samsung Electronics Co., Ltd. v. United States*, 973 F. Supp. 2d 1321, 1329 (CIT 2014).

¹⁴² See Iljin Preliminary Calculation Memorandum.

¹⁴³ See Iljin IQR at III-29 and Exhibits G-11 and G-13.

¹⁴⁴ See GOK Initial QR at 279-282.

property tax reduced by 35 percent on the real estate for five years from the date the tax liability to pay the property tax on such real estate initially arises.¹⁴⁵ The tax reduction for the property tax is increased to 75 percent if the relevant land, industrial buildings, or real estate are located in an industrial complex outside of the Seoul metropolitan area.¹⁴⁶ That is, acquired properties located in industrial complexes outside of the Seoul metropolitan area may qualify for as much as a 75 percent tax reduction of property taxes and a 50 percent reduction of acquisition taxes.¹⁴⁷ The tax program is administered by local governments, under the direction of the Ministry of Interior and Safety (MOIS).¹⁴⁸ The purpose of the program is to promote the development of the underdeveloped areas in Korea and to appropriately allocate the industries nationwide.¹⁴⁹ As a result of its property tax exemption under RSLTA Article 78, Iljin also received an additional exemption in the form of a reduction in local education tax, which is 20 percent of the amount of its property tax exemption.¹⁵⁰

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 a benefit to the recipient in the amount of the difference between the taxes it paid and the amount of taxes that it would have paid in the absence of this program pursuant to 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 within their respective jurisdictions. This finding is consistent with our practice.¹⁵¹

To calculate the benefits for Iljin, we divided the total amount of the tax savings it received, including the local education tax exemption, by Iljin's total sales during the POI. On this basis, we preliminarily determine that Iljin received a countervailable subsidy rate of 0.01 percent *ad valorem* under this program.¹⁵²

5. Industrial Grants Pursuant to the Industrial Technology Innovation Promotion Act (ITIPA)

Iljin reported receiving various grants under this program during the AUL period.¹⁵³ This program is designed to promote the development of industrial technologies in Korea by

¹⁴⁵ *Id.*

¹⁴⁶ *Id.*

¹⁴⁷ *Id.* at 282.

¹⁴⁸ *Id.* at 281.

¹⁴⁹ *Id.* at 277.

¹⁵⁰ See Iljin 1SQR Part 2 at S-10 and Exhibits Supp-Iljin-8 and Supp-Iljin-9.

¹⁵¹ See *Certain Cut-to-Length Carbon-Quality Steel Plate from the Republic of Korea: Preliminary Results of Countervailing Duty Administrative Review*; 2012, 79 FR 16283 (March 25, 2014), and accompanying PDM at 6-7, unchanged in *Cut-to-Length Carbon-Quality Steel Plate from the Republic of Korea: Final Results of Countervailing Duty Administrative Review*; 2012, 79 FR 46770 (August 11, 2014).

¹⁵² See Iljin Preliminary Calculation Memorandum.

¹⁵³ See Iljin IQR at III-31 and Exhibits H-1 and H-4; see also Iljin 1SQR at Exhibit Supp-Iljin-10. Iljin reported the "Support for Development of Advance Automotive Technologies Program" under the ITIPA grants. See Iljin 2SQR at S2-5. However, the GOK reported this program separately, explaining that such a program is mainly governed by a local government's ordinance and guideline, although it is related to Article 11 of the ITIPA. See GOK 1SQR at

providing grants to certain fields of industrial technology.¹⁵⁴ This program is executed and operated by MOTIE; however, individual projects may be administered by various institutions, *e.g.*, the Korea Evaluation Institute of Technologies or the Korea Institute of Energy Technology Evaluation and Planning, on behalf of MOTIE.¹⁵⁵

This program operates pursuant to Article 11 of the ITIPA.¹⁵⁶ To implement the projects to develop technology in certain fields of industrial technology, MOTIE prepares and publicly announces an implementation plan each year which includes directions for implementation of projects, subsidization plans and implementation schedules of each project.¹⁵⁷ According to the GOK, the administering institutions identify projects to be pursued under this program, and interested parties wishing to participate in and be selected for the projects under this program file their business plans with the administering institutions.¹⁵⁸ Then, the MOTIE Review Committee evaluates the business plans.¹⁵⁹ If selected, the company will then enter into an agreement with MOTIE or the administering authority.¹⁶⁰ The costs of the projects are shared by the GOK and the participant(s).¹⁶¹ Under this program, the GOK may provide a grant covering as much as 75 percent of the total project costs.¹⁶² Regardless of the number of participants, per project, the GOK may contribute up to 75 percent of the total project costs if the participant is a small or medium size enterprise and 50 percent for all other companies.¹⁶³

We 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 further determine this program to be *de jure* specific under section 771(5A)(D)(i) of the Act because it is limited to projects in certain fields of industrial technology that MOTIE – or the administering authority working on behalf of MOTIE – determine will support the development of industrial technologies in Korea.

We preliminarily determine that the grants provided under this program are non-recurring in accordance with 19 CFR 351.524(c), which provides that Commerce will normally treat grants as non-recurring subsidies. To measure the benefit of the grants under this program that are allocable to the POI, we first conducted the “0.5 percent test,” in accordance with 19 CFR 351.524(b)(2). We first grouped all reported grants under this program by the year of original approval. We then aggregated the approved amounts of grants under this program each year, and divided the total amount approved each year by the total sales in that year of approval. Where

13-14. In light of the GOK's explanation, for the preliminary determination, we are treating the Support for Development of Advance Automotive Technologies program as a separate program.

¹⁵⁴ See GOK ISQR at 41 and Exhibit SQR1ITIPA-1.

¹⁵⁵ *Id.* at 41.

¹⁵⁶ *Id.* at 42 and Exhibit SQR1ITIPA-1.

¹⁵⁷ *Id.* at Exhibit SQR1ITIPA-1 (Article 11 of the ITIPA and Article 19 of Common Administration Guideline for the Industrial Technologies Promotion Act).

¹⁵⁸ *Id.* at 46.

¹⁵⁹ *Id.*, at 46-49.

¹⁶⁰ *Id.*, at Exhibit SQR1ITIPA-1 (Article 26 of Common Administration Guideline for the Industrial Technologies Promotion Act).

¹⁶¹ *Id.* at 47-48.

¹⁶² *Id.*

¹⁶³ *Id.* at 47.

the total originally approved amount for a grant was not provided, we used the total disbursed amount for the relevant grant as a proxy for the originally approved amount. In addition, where the total sales information was not available on the record for the year of approval, we used the total sales from the closest year to that year to conduct the “0.5 percent test” as such information is the most contemporaneous data. In cases where the aggregate amount approved for grants under this program in that year was less than 0.5 percent of Iljin’s total sales in the relevant year, then those grants were expensed in the year of receipt. However, when the aggregate amount approved for grants under this program in such a year was greater than 0.5 percent of Iljin’s total sales in the relevant year, the amounts received for such grants were allocated over the AUL period using Commerce’s grant methodology, as provided under 19 CFR 351.524(d)(1).

To calculate the total POI benefit to Iljin from the ITIPA grants received by Iljin, we summed the benefits allocated to the POI from all of the ITIPA grants that passed the “0.5 percent test,” and divided the summed amount by Iljin’s total sales during the POI. On this basis, we calculated a measurable net countervailable subsidy rate of 0.58 percent for Iljin.¹⁶⁴

6. KEXIM Export Growth Loan program

Iljin reported receipt of loans under this program.¹⁶⁵ The Export Growth Loan program was introduced in September 1995 and allows KEXIM to support small and medium enterprises that have a record of exporting eligible goods or supplying materials for the production of exported goods by extending loans from 50 to 100 percent of the export amount for up to three years, depending on export volume.¹⁶⁶ The GOK states that KEXIM calculates the interest rate for the loan under this program by adding a rate for the funding cost, the credit rating, administrative fees and an appropriate amount of profit to the base rate.¹⁶⁷ The GOK adds that this program provides export-related loans for the national economy which meets the purpose of the incorporation of KEXIM.¹⁶⁸

As of December 31, 2019, KEXIM was a government-owned entity, through 66.43 percent ownership by the GOK.¹⁶⁹ The GOK states that this program is administered by KEXIM, pursuant to Article 18(1)(3) of the KEXIM Act, and Chapter 2 of KEXIM’s internal “Regulations Governing Financing Operations.”¹⁷⁰ Through this statutory and regulatory framework, when an applicant submits an application to obtain a loan under this program, KEXIM’s internal review committee assesses the application to determine the eligibility based on the statute and KEXIM’s own internal regulations.¹⁷¹ If the application fulfills its relevant criteria and the applicant has a sufficient credit rating, KEXIM’s internal review committee approves the loan.¹⁷²

¹⁶⁴ See Iljin Preliminary Calculation Memorandum.

¹⁶⁵ See Iljin IQR at III-33 and Exhibits I-1 and I-5.

¹⁶⁶ See GOK IQR at 344.

¹⁶⁷ *Id.*

¹⁶⁸ *Id.* at 348.

¹⁶⁹ *Id.* at 347.

¹⁷⁰ *Id.* at 346 and Exhibits KEXIM-1 and KEXIM-7.

¹⁷¹ See GOK IQR at 349.

¹⁷² *Id.*

We preliminarily determine that KEXIM is an “authority” under section 771(5)(B) of the Act. As stated above, the GOK owned 66.43 percent of the KEXIM’s shareholding during the POI. In the Registration Statement filed on February 12, 2020, with the U.S. Securities and Exchange Commission (SEC), KEXIM and GOK state: “We {KEXIM} were established as a special government financing institution pursuant to the Export-Import Bank of Korea Act, as amended {(the KEXIM Act)}. Since our establishment, we have been promoting the export and competitiveness of Korean goods and services in international markets. ... Although our management has control of our day-to-day operations, our operations are subject to the close supervision of the Government. ... As a result of the KEXIM Act, the Government is generally responsible for our operations and is legally obligated to replenish any deficit that arises if our reserves, consisting of our surplus and capital surplus items, are insufficient to cover any of our annual net losses.”¹⁷³ Commerce has previously determined that loans from KEXIM constitute a financial contribution.¹⁷⁴ Therefore, we preliminarily determine that this program results in a financial contribution under section 771(5)(D)(i) of the Act in the form of a direct transfer of funds through loans. We also preliminarily determine that this program is specific within the meaning of section 771(5A)(A) and (B) of the Act because eligibility for this program is contingent upon export performance. The GOK stated that export records of the applicant or recipient is considered in determining eligibility for this program.¹⁷⁵ Chapter 2 of KEXIM’s “Regulation Governing Financing Operations” also states an eligibility condition as “{small and medium enterprises} that have a record of exporting eligible items”¹⁷⁶ Further, we preliminarily determine that the program confers a benefit under section 771(5)(E)(ii) of the Act and 19 CFR 351.505 in the amount of the difference between the interest Iljin actually paid on the KEXIM loan and the interest Iljin would pay on a comparable commercial loan.

To calculate a benefit under this program, we compared the amount of interest Iljin paid on these loans during the POI to the amount Iljin would have paid at the benchmark interest rate described above. We then divided Iljin’s calculated benefit by its export sales during the POI. On this basis, we preliminarily calculate a subsidy rate of 0.04 percent *ad valorem* for Iljin.¹⁷⁷

7. KDB General Operating Financing Loans

Iljin reported receiving loans under this program.¹⁷⁸ The KDB’s general operating financing loans are provided to finance working capital within the limits of 100 percent working capital for one business cycle in principle.¹⁷⁹ The maturity of these loans is generally less than three years,

¹⁷³ *Id.* at Exhibit KEXIM-4 (“The Export-Import Bank of Korea” at 3).

¹⁷⁴ *See, e.g., Countervailing Duty Investigation of Certain Hot-Rolled Steel Flat Products from the Republic of Korea: Preliminary Negative Determination and Alignment of Final Determination with Final Antidumping Duty Determination*, 81 FR 2172 (January 15, 2016), and accompanying PDM at 22, unchanged in *Hot-Rolled Steel from Korea*.

¹⁷⁵ *See* GOK IQR at 349.

¹⁷⁶ *Id.* at Exhibit KEXIM-1 and KEXIM-7.

¹⁷⁷ *See* Iljin Preliminary Calculation Memorandum.

¹⁷⁸ *See* Iljin IQR at III-33 (the GOK confirmed that Iljin’s reported “Short-Term Loans for General Operations” and “Industrial Operations Fund” short-term loans refer to the same program, KDB General Operating Financing Loans”; *see also* GOK 1SQR at 15 and GOK 2SQR at 15.

¹⁷⁹ *See* GOK 1SQR at 148.

and it may be extended by six months.¹⁸⁰ This program was established in 1954, under the Korea Development Bank Act (KDB Act).¹⁸¹

During the POI, the KDB was a government-owned entity, through 100 percent ownership by the GOK.¹⁸² The GOK stated that this program is administered by the KDB, pursuant to the KDB Act, its Enforcement Decree, Credit Regulations, and Detailed Rules of Corporate Loans.¹⁸³ Loans under this program are provided in accordance with Article 18(2)(1) of the KDB Act.¹⁸⁴ The conditions and terms governing the loans are stipulated in KDB's internal "Credit Regulations" and "Detailed Rules on Corporate Loans."¹⁸⁵

In order to obtain a loan from KDB, an applicant must complete an application form and submit it to KDB.¹⁸⁶ Upon receipt of the application, KDB will, pursuant to the KDB Act, Enforcement Decree, and its own internal regulations, review the completeness of the application.¹⁸⁷ KDB will then perform a comprehensive study of the applicant's business performance, finance structure, profit and loss, and liquidity. If the KDB concludes the applicant will be able to repay the loan, the KDB enters into a loan agreement to assist the applicant.¹⁸⁸

We preliminarily determine that the KDB is an "authority" under section 771(5)(B) of the Act. As stated above, the GOK owned 100 percent of the KDB's shareholding during the POI. Further, in the Registration Statement filed on May 11, 2020, with the U.S. SEC, KDB and the GOK state: "{w}e {KDB} were established in 1954 as a government-owned financial institution pursuant to the {KDB Act}. Since our establishment, we have been the leading bank in the Republic {of Korea} with respect to the provision of long-term financing for projects designed to assist the nation's economic growth and development. The Government directly owns all of our paid-in capital. ... In addition to contributions to our capital, the Government provides direct financial support for our financing activities... The Government has the power to elect or dismiss our Chairman and Chief Executive Officer, members of our Board of Directors and Auditor. ... The Government supports our {KDB's} operations pursuant to Article 32 of the KDB Act. ... As a result of the KDB Act, the Government is generally responsible for our {KDB's} operations and is legally obligated to replenish any deficit that arises if our {KDB's} reserve, consisting of our {KDB's} surplus and capital surplus items, is insufficient to cover our {KDB's} annual net losses."¹⁸⁹ In the same Registration Statement filed with the U.S. SEC, KDB and the GOK state that "since we serve the public policy objectives of the Government, we do not seek to maximize profits."¹⁹⁰ Commerce has previously determined that loans from KDB

¹⁸⁰ *Id.*

¹⁸¹ *Id.*

¹⁸² *Id.* at 151.

¹⁸³ *Id.* at 149 and Exhibit SQR1KDB-1; *see also* GOK IQR at Exhibits KDB-11 and KDB-1 and GOK 2SQR at 16.

¹⁸⁴ *See* GOK 1SQR at 152-153.

¹⁸⁵ *Id.* at 152-153; *see also* GOK IQR Exhibits KDB-11 and SQR1KDB-1.

¹⁸⁶ *See* GOK 1SQR at 152.

¹⁸⁷ *Id.*

¹⁸⁸ *Id.*

¹⁸⁹ *See* GOK IQR at Exhibit KDB-18 ("The Korea Development Bank" at 3).

¹⁹⁰ *Id.* at Exhibit KDB-18 ("The Korea Development Bank" at 6).

constitute a financial contribution.¹⁹¹ Therefore, we preliminarily determine that this program results in a financial contribution in the form of a direct transfer of funds through loans under section 771(5)(D)(i) of the Act.

With regard to specificity, as detailed above at the “Use of Facts Otherwise Available and Adverse Inferences” section, we find that because the GOK did not provide us with necessary information, as requested, to determine the existence of *de facto* specificity for this program, reliance on AFA with respect to specificity is warranted in this instance. Consequently, we are preliminarily relying on AFA to determine that this program is *de facto* specific under section 771(5A)(D)(iii) of the Act.

Further, we preliminarily determine that the program confers a benefit under section 771(5)(E)(ii) of the Act and 19 CFR 351.505 in the amount of the difference between the amount of interest Iljin paid on the KDB loan and the amount the recipient would pay on a comparable commercial loan. To calculate a benefit under this program, we compared the amount of interest Iljin paid on these loans during the POI to the amount they would have paid under the benchmark interest rate prescribed above. We then divided Iljin’s calculated benefit by its total sales during the POI. On this basis, we preliminarily calculate a subsidy rate of 0.21 percent *ad valorem* for Iljin.¹⁹²

8. Support for Development of Advanced Automotive Technologies

Iljin reported receiving a grant under this program.¹⁹³ Iljin confirmed that the “Support for Development of Advanced Automotive Technologies” program reported by the GOK is the same as the project “Automotive Industry Activation Technology Advancement Support,” reported by Iljin as one of several R&D grants Iljin received under ITIPA.¹⁹⁴ This program aims to promote the development of advanced automotive technologies in order to improve the product quality and stability of automobile parts.¹⁹⁵ Companies that participate in this program to develop advanced automotive technologies are reimbursed for the project costs, in return for their work.¹⁹⁶

The Support for Development of Advanced Automotive Technologies program was established in 2019 on a one-time basis.¹⁹⁷ The GOK states that although Article 11 (Industrial Technologies Development Projects) of the Industrial Technology Innovation Promotion Act (ITIPA) is applicable to this program in a broad sense, this program is governed by Article 17 of

¹⁹¹ See, e.g., *Bottom Mount Combination Refrigerator-Freezers from the Republic of Korea: Final Affirmative Countervailing Duty Determination*, 77 FR 17410 (March 26, 2012), and accompanying IDM at 13; see also *Large Residential Washers from Korea*, and accompanying IDM at 8.

¹⁹² See Iljin Preliminary Calculation Memorandum.

¹⁹³ See Iljin 2SQR at S2-5; and Iljin 3SQR Exhibit Supp3-ILJIN-4. Iljin reported the “Support for Development of Advance Automotive Technologies Program” under the ITIPA grants. See Iljin 2SQR at S2-5. However, the GOK reported this program separately, explaining that such a program is mainly governed by a local government’s ordinance and guideline, although it is related to Article 11 of the ITIPA. See GOK 1SQR at 13-14. In light of the GOK’s explanation, for the preliminary determination, we are treating the Support for Development of Advance Automotive Technologies program as a separate program.

¹⁹⁴ See Iljin 2SQR at S2-5; see also Iljin 3SQR Exhibit Supp3-ILJIN-4; and GOK IQR at 58 and 395.

¹⁹⁵ See GOK IQR at 394.

¹⁹⁶ *Id.*

¹⁹⁷ *Id.*

Jeollabuk-do Ordinance for Promotion of Science and Technology, Guideline on R&D Projects Supported by Jeollabuk-do and the Public Notice on the Support for Development of Advanced Automotive Technologies Program.¹⁹⁸ Jeollabuk-do, a local government, is the agency responsible for this program, while Jeonbuk Institute of Automotive Convergence Technology (JIAT) administers this program.¹⁹⁹ Any applicant interested in participating in this program may submit an application, including a business plan, to JIAT.²⁰⁰ A separate review committee, consisting of experts representing the industry, will then review the applications in accordance with the relevant laws and regulations. If the criteria are met, the application will be approved and JIAT will enter into an agreement with the applicant to develop the proposed technology.²⁰¹ The amount of assistance depends on the estimated cost of implementing the program as established in the business plan of the applicant.²⁰² The applicant will be responsible for 20 to 50 percent of the project costs depending on the size of the project.²⁰³

We preliminarily determine that a financial contribution was provided within the meaning of section 771(5)(D)(i) of the Act because the payment from Jeollabuk-do (a local government) constitute a direct transfer of funds. We also preliminarily find this program to be *de facto* specific under section 771(5A)(D)(iii)(I) of the Act because the actual recipients are limited in number, based upon information provided by the GOK.²⁰⁴ Further, we preliminarily determine that this program confers a benefit in the amount of the grant provided in accordance with 19 CFR 351.504(a).

We preliminarily determine that the grant provided under this program is non-recurring in accordance with 19 CFR 351.524(c).²⁰⁵ To measure the benefit of the grant under this program that is allocable to the POI, we first conducted the “0.5 percent test,” in accordance with 19 CFR 351.524(b)(2). We divided the total amount approved by Iljin’s total sales for the year of approval. Because the total approved amount was not greater than 0.5 percent of Iljin’s total sales in the year of approval, this grant was expensed in the year of receipt.

To calculate the net subsidy amount of the grant received by Iljin, we divided Iljin’s benefit amount by its total POI sales. On this basis, we calculated a measurable net countervailable subsidy rate of 0.07 percent for Iljin.²⁰⁶

9. Incentives for Relocation to Regions Outside of Seoul Metropolitan Area

¹⁹⁸ *Id.*

¹⁹⁹ *Id.* at 395.

²⁰⁰ *Id.* at 397.

²⁰¹ *Id.* at 397-398.

²⁰² *Id.* at 398.

²⁰³ *Id.* at 398 and Exhibit JIAT-1.

²⁰⁴ *Id.* at 402, wherein the GOK indicates that of the companies operating or established in the jurisdiction of the granting authority of this program, only a limited number of companies received benefits under this program in the year in which Iljin received benefits under this program.

²⁰⁵ 19 CFR 351.524(c); *see also* GOK ISQR at 71.

²⁰⁶ *See* Iljin Preliminary Calculation Memorandum.

Iljin reported receiving grants under this program during the AUL period.²⁰⁷ This program aims to promote the relocation of companies in the Seoul Metropolitan Area to other regions by providing various incentives.²⁰⁸ This program was established in 2004 and enacted by Article 19 (“Relocation of Companies and Universities to Provincial Areas”) of the Special Act on Balanced National Development.²⁰⁹ The central government and the local government reimburse the costs incurred by domestic and foreign companies (*e.g.*, costs for purchasing land or facilities) that relocate from the Seoul Metropolitan Area.²¹⁰ This program is part of the blueprint established under the 2004 Special Act on Balanced National Development, which aims to address imbalanced socio-economic development in Korea with respect to the geographical distribution of people and resources.²¹¹ MOTIE is responsible for the overall policy design and implementation of this program and administers the payment of incentives.²¹² Local governments are responsible for the payment of the local governments’ portion of incentives to companies.²¹³

The specific provisions of this program in effect during the POI are established in the “Standards for Financial Assistance for Municipalities’ Attraction of Companies’ Investment” and the “Municipal Ordinance of Attraction of Corporations and Promotion of Investment in Imsil.”²¹⁴ Article 9 of “Standards for Financial Assistance for Municipalities’ Attraction of Companies’ Investment” specifies the requirements for a company in the Seoul Metropolitan Area intending to relocate, and Article 20 of the “Municipal Ordinance of Attraction of Corporations and Promotion of Investment in Imsil” specifies the incentives a company may be eligible for if it relocates to a local area, *i.e.*, Imsil-gun.²¹⁵ For instance, Article 20 of the “Municipal Ordinance of Attraction of Corporations and Promotion of Investment in Imsil” states that a company that relocates its “head office, research center, producer service business, cultural business, and the R&D business” may be eligible for up to KRW 500 million as long as that amount is within three percent of the acquisition value of a building used as the head office or the main place of business assuming all conditions are met.²¹⁶ In addition, under this program, a company that relocates all or part of its plants may be supported with up to KRW 5 billion, which is within five percent of the excess amount over KRW 1 billion of the investment amount.²¹⁷

A company wishing to participate in this program may submit to the relevant local government authority an application which will include its relocation plans.²¹⁸ If an application is scored “60” or higher, based on the rubric included in the “Standards for Financial Assistance for Municipalities’ Attraction of Companies’ Investment,” the local government shall apply to

²⁰⁷ See Iljin IQR at III-34; and Exhibit I-30.

²⁰⁸ See GOK IQR at 407.

²⁰⁹ *Id.* at 408 and Exhibit IMSIL-1; see also GOK 1SQR at Exhibit SQR1IMSIL-1.

²¹⁰ See GOK IQR at 407.

²¹¹ *Id.*

²¹² *Id.* at 408.

²¹³ *Id.*

²¹⁴ *Id.* at Exhibit IMSIL-1; see also GOK 1SQR at Exhibit SQR1IMSIL-1.

²¹⁵ *Id.*

²¹⁶ *Id.*

²¹⁷ *Id.*

²¹⁸ *Id.* at 411.

MOTIE to seek the approval of the company's application.²¹⁹ Evaluation criteria include whether the company is and seeking to relocate from the Seoul Metropolitan Area to a certain region and whether the company has at least 30 full-time employees.²²⁰ If approved, the central and local governments will provide 70 to 80 percent of the approved grant to the applicant, while securing collateral from the applicant to ensure its performance. The applicant must then implement its plans to relocate and report its results to receive the remaining 20 to 30 percent of the incentive.²²¹

We preliminarily determine that a financial contribution was provided within the meaning of section 771(5)(D)(i) of the Act because the central and local government payments constitute a direct transfer of funds. We also preliminarily find this program to be *de facto* specific under section 771(5A)(D)(iii)(I) of the Act because the actual recipients are limited in number, based upon information provided by the GOK.²²² Further, we preliminarily determine that this program confers a benefit which 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).²²³ To measure the benefit of the grant under this program that is allocable to the POI, we first conducted the "0.5 percent test," in accordance with 19 CFR 351.524(b)(2). We divided the total amount approved by Iljin's total sales for the year of approval. Because the total approved amount was greater than 0.5 percent of Iljin's total sales in the year of approval, we allocated over the AUL period the amounts received under this program in accordance with 19 CFR 351.524(d)(1).

To calculate the total POI benefit received by Iljin, we summed the grant amounts allocated to the POI and divided this sum by Iljin's total sales during the POI. On this basis, we calculated a net countervailable subsidy rate of 0.61 percent for Iljin.²²⁴

10. Imsil Agricultural and Industrial Complex Infrastructure Expansion Project

Iljin reported receiving grants under this program during the AUL period.²²⁵ This program aims to address difficulties encountered by companies within the Imsil Agricultural and Industrial Complex.²²⁶ It is specifically intended to improve and expand the infrastructure within this industrial complex through contracting with private contractors.²²⁷ This program is intended to attract new investors and capital, which will create a cyclical pattern of continued infrastructural

²¹⁹ *Id.*

²²⁰ *Id.* at 411 and Exhibit IMSIL-1; *see also* GOK 1SQR at Exhibit SQR1IMSIL-1.

²²¹ *Id.* at 411.

²²² *Id.* at 416, wherein the GOK indicates that of the companies operating or established in the jurisdiction of the granting authority of this program, only a limited number of companies received benefits under this program in the year in which Iljin received benefits under this program; *see also* GOK 2SSQR at 19.

²²³ *See also* GOK 1SQR at 184.

²²⁴ *See* Iljin Preliminary Calculation Memorandum.

²²⁵ *See* Iljin IQR at III-35 and Exhibit I-33.

²²⁶ *See* GOK IQR at 419.

²²⁷ *Id.*

development and investment in the Imsil Agricultural and Industrial Complex.²²⁸ The GOK stated that the scope of this program is strictly limited to procuring indispensable infrastructure (e.g., electricity lines) within the industrial complex, which will benefit any company operating there.²²⁹ The private contractor may not sell, lease, or use as collateral infrastructural improvement for which it has received the incentive.²³⁰ In other words, the infrastructural improvement must be available for all companies in the industrial complex to use and benefit from.²³¹ MOIS is responsible for developing the general policies relating to the local governments' contract management of this program. Imsil-gun, the local government, is responsible for designing and administering this program.²³²

The legal framework and guidelines for this program are established in the “Down Payment and Price Payment Manual in the Standards for the Bid and Performance of Local Governments’ Contracts” and “Imsil Municipal Ordinance on the Management of Incentives.”²³³ Pursuant to Article 4 of the “Imsil Municipal Ordinance on the Management of Incentives,” the local government may incentivize some or all of the expenses associated with a local project.²³⁴ A company (or contractor) that wishes to participate in this program may submit an application, including an explanation of the project to expand the infrastructure, a cost analysis, the project terms, and a business plan, to Imsil-gun.²³⁵ The application will then be reviewed by Imsil-gun according to the criteria established under the Imsil Municipal Ordinance on the Management of Incentives.²³⁶ If the application is accepted, the applicant will be approved and notified of the decision.²³⁷ Payment for the costs of the project will be made after the applicant incurs the project-related expenses.²³⁸

We preliminarily determine that a financial contribution was provided within the meaning of section 771(5)(D)(i) of the Act because the central and local government payments constitute a direct transfer of funds. We also preliminarily find this program to be *de facto* specific under section 771(5A)(D)(iii)(I) of the Act because the actual recipients are limited in number, based upon information provided by the GOK.²³⁹ Further, we preliminarily determine that this program confers a benefit which exists in the amount of the grant provided in accordance with 19 CFR 351.504(a).

²²⁸ *Id.*

²²⁹ *Id.*

²³⁰ *Id.*

²³¹ *Id.* at 419 and Exhibit AGRI-1.

²³² *Id.* at 420.

²³³ *Id.* at 420 and Exhibit AGRI-1; *see also* GOK 1SQR at Exhibit SQR1AGRI-1.

²³⁴ *See* GOK 1SQR at Exhibit SQR1AGRI-1.

²³⁵ *See* GOK 1QR at 423.

²³⁶ *Id.*

²³⁷ *Id.*

²³⁸ *Id.*

²³⁹ *Id.* at 427-428, wherein the GOK indicates that of the companies operating or established in the jurisdiction where the granting authority of this program belongs to (as the total number of companies operating or established in the jurisdiction of the granting authority of this program is not available), only a limited number of companies received benefits under this program.

We preliminarily determine that the grants provided under this program are non-recurring in accordance with 19 CFR 351.524(c).²⁴⁰ To measure the benefit of the grant under this program that is allocable to the POI, we first conducted the “0.5 percent test,” in accordance with 19 CFR 351.524(b)(2). We divided the total amount approved by Iljin’s total sales for the year of approval. Because the total approved amount was greater than 0.5 percent of Iljin’s total sales in the year of approval, the amounts received under this program were allocated over the AUL in accordance with 19 CFR 351.524(d)(1).

To calculate the total POI benefit received by Iljin, we summed the grant amounts allocated to the POI, and divided this sum by Iljin’s total sales during the POI. On this basis, we calculated a measurable net countervailable subsidy rate of 0.13 percent for Iljin.²⁴¹

B. Program Preliminarily Determined to Be Tied to Non-Subject Merchandise

Jeonbuk Technopark (JBTP) Promotion of Participation in Overseas Exhibition

Iljin reported receiving a grant under this program during the POI.²⁴² MOTIE has the authority to make policies governing this program. The regional technoparks, including JBTP, administer and manage this program on behalf of MOTIE. This program aims to expand opportunities for developers and manufacturers that are located within the region of Jeonbuk by reimbursing the costs of participation in an overseas exhibition.²⁴³

The agreement reflects that the grant covers costs relating to Iljin’s participation at an exhibition held in India in which companies would meet with potential Indian customers.²⁴⁴ This documentation indicates that Iljin received this to support its exports to India, and because this program provides benefits that are tied to sales to a particular market, India, it does not benefit subject merchandise. As such, we are not including this program in our analysis.

C. Programs Preliminarily Determined to be Not Used or Not to Confer a Measurable Benefit During the POI

Iljin and Trader reported receiving benefits under various programs, some of which were specifically alleged, while others were self-reported. Based on the record evidence, we preliminarily determine that the benefits from certain programs were either: (1) fully expensed prior to the POI; or (2) amounted to less than 0.005 percent *ad valorem* when attributed to Iljin’s applicable sales as discussed above in the “Attribution of Subsidies” section above. Consistent with Commerce’s practice,²⁴⁵ we are treating the benefits from these programs as non-

²⁴⁰ See also GOK 1SQR at 184.

²⁴¹ See Iljin Preliminary Calculation Memorandum.

²⁴² See Iljin IQR at III-35 and Iljin 2SQR Exhibit Supp2-ILJIN-7.

²⁴³ See GOK 1SQR Appendix 8 at 86.

²⁴⁴ See Iljin 1SQR Part 2 at S-28 and Exhibit Supp-ILJIN-33; see also Iljin 4SQR at S4-2; and GOK 1SQR Exhibit SQR1JBTP-3.

²⁴⁵ See, e.g., *Coated Free Sheet Paper from the Republic of China: Final Affirmative Countervailing Duty Determination*, 72 FR 60645 (October 25, 2007) (*CFS from China*), and accompanying IDM at 15-16 (Analysis of Programs, Programs Determined Not To Have Been Used or Not To Have Provided Benefits During the POI for

measurable and have not included them in our preliminary subsidy rate calculations. Accordingly, it is unnecessary for Commerce to make a preliminary determination regarding the countervailability of these programs. Iljin and Trader reported non-use of certain programs on which Commerce initiated. For a list of the subsidy programs that do not provide a benefit and programs that were not used by Iljin and Trader, *see* the Appendix attached to this memorandum.

X. RECOMMENDATION

We recommend that you approve the preliminary findings described above.



Agree



Disagree

12/7/2020

X



Signed by: JEFFREY KESSLER

Jeffrey I. Kessler
Assistant Secretary
for Enforcement and Compliance

GE); *see also Certain Steel Wheels from the People's Republic of China: Final Affirmative Countervailing Duty Determination, Final Affirmative Critical Circumstances Determination*, 77 FR 17017 (March 23, 2012), and accompanying IDM at 36 (Income Tax Reductions for Firms Located in the Shanghai Pudong New District); and *Aluminum Extrusions from the People's Republic of China: Final Results of Countervailing Duty Administrative Review; 2010 and 2011*, 79 FR 106 (January 2, 2014), and accompanying IDM at 45-48 (Programs Used by the Alnan Companies).

APPENDIX

NOT-USED OR NOT-MEASURABLE PROGRAMS, BY COMPANY

Iljin

Programs Preliminarily Determined Not to Confer Measurable Benefits During the POI

Count	Title
1	KEXIM Structured Trade Financing
2	RSTA Article 25 – Tax Credit for Investment in Facilities for Environment or Safety
3	The Job Sharing and Employment Management Program: Sharing of Working Opportunities/Employment Creating Incentives ²⁴⁶
4	The Job Sharing and Employment Management Program: Assistance for Employment Adjustment ²⁴⁷
5	KDB Banker’s Usance
6	KDB Long-Term Facility Capital Loans
7	RSTA Article 104-8 – Tax Credits for Electronic Returns
8	Korea Energy Agency Energy Efficiency Program – LED Lighting
9	KEPCO Energy Savings Program – (1) Designated Period program; and (2) Advance Notice (or Prior Announcement) program
10	Korea Trade-Investment Promotion Agency (KOTRA) Promotion of Participation in Overseas Exhibition
11	Young Tomorrow Program – Gyeonggi Employer Federation and Best-in Jeonbuk Agency to Support Employment of Young People
12	Refund for Business Owners in Vocational Skills Development Training – the Korea Industrial Safety Association and Korea Productivity Center

Programs Preliminarily Determined to Be Not Used During the POI

Count	Title
1	KDB Short-Term Discounted Loans for Export Receivables
2	Long Term Loans for Overseas Resource Development from the Korean Energy Agency
3	Assistance and Financial Support for New Convergence Industries and Manufacturers Program: Loans
4	KEXIM Export Project Loans

²⁴⁶ See GOK ISQR at 18 and Appendix 1; see also CVD Initiation Checklist at 31. We initiated on this program as the program name titled “Sharing of Working Opportunities/Employment Creating Incentives.” However, the GOK stated that this program is a sub-program under the Job Sharing and Employment Management Program. Thus, we list this program as the “The Job Sharing and Employment Management Program: Sharing of Working Opportunities/Employment Creating Incentives” in the appendix.

²⁴⁷ Iljin reported the use of this program. See Iljin ISQR Part 1 at Exhibits Supp-Iljin-1 and Supp-Iljin-2. The GOK stated that this program is a sub-program under the Job Sharing and Employment Management Program. See GOK ISQR at 18 and Appendix 22. Thus, we list this program as the “The Job Sharing and Employment Management Program: Assistance for Employment Adjustment” in the appendix.

5	KEXIM Export Facilitation Loans
6	KEXIM Import Loans
7	KEXIM Import Facilitation Loans
8	KEXIM Performance Guarantees
9	KDB Support for Industrial Restructuring: Loans
10	Korea Trade Insurance Corporation (K-SURE) Export Credit Guarantee
11	K-SURE Export Credit Insurance ²⁴⁸
12	RSTA Article 11 – Tax Credit for Investment in Facilities for Research and Manpower
13	RSTA Article 22 – Tax Exemption on Investment in Overseas Resources Development
14	RSTA Article 24 – Tax Credit for Investment for Productivity Increase Facilities
15	RSTA Article 25-2 – Tax Credit for Investments in Energy Economizing Facilities
16	RSTA Article 25-3 – Tax Credit for Investment in Environment and Safety Facilities
17	RSTA Article 104-14 – Third-Party Logistics Operations
18	RSTA Article 104-15 – Development of Overseas Resources
19	RSLTA Article 109 – Tax Credit for Investing in Facilities for Increasing Productivity
20	RSLTA Article 110 – Tax Credit for Investing in Safety Facilities
21	RSLTA Article 111 – Tax Credit for Investing in Energy-Saving Facilities
22	RSLTA Article 112 – Tax Credit for Investing in Facilities for Environmental Conservation
23	RSLTA Article 114 – Tax Credit for Employment-Creating Investment
24	Demand Response Resources Program
25	Grants for Overseas Resource Development
26	Modal Shift Program
27	Grants for Conversion into Environment-Friendly Industrial Structure
28	Assistance and Financial Support for New Convergence Industries and Manufacturers Program: Grants
29	KDB Support for Industrial Restructuring: Grants
30	Management of Electricity Factor Load Program – Emergent Reduction Sub-Program
31	Seoul Guarantee Insurance ²⁴⁹

²⁴⁸ See Iljin 1SQR at S-30. Iljin reported it received no payments from K-SURE Export Credit Insurance during the POI.

²⁴⁹ *Id.* Iljin reported it received no payments from Seoul Guarantee Insurance during the POI.

Trader

Programs Preliminarily Determined Not to Confer Measurable Benefits During the POI

Count	Title
1	RSTA Article 7 – Special Tax Reductions or Exemptions for Small or Medium Enterprises
2	COMWEL Program: Job Stabilization Fund
3	COMWEL Program: Durunuri Assistance
4	KOSME Market Expansion Loan

Programs Preliminarily Determined to Be Not Used During the POI

Count	Title
1	Provision of Electricity for LTAR
2	KDB Short-Term Discounted Loans for Export Receivables
3	Long Term Loans for Overseas Resource Development from the Korean Energy Agency
4	Assistance and Financial Support for New Convergence Industries and Manufacturers Program: Loans
5	KEXIM Export Project Loans
6	KEXIM Export Facilitation Loans
7	KEXIM Import Loans
8	KEXIM Import Facilitation Loans
9	KEXIM Performance Guarantees
10	KEXIM Structured Trade Financing
11	KDB Support for Industrial Restructuring: Loans
12	K-SURE Export Credit Guarantee
13	K-SURE Export Credit Insurance
14	RSTA Article 10(1)(3) – Tax Reduction for Research and Human Resources Development
15	RSTA Article 11 – Tax Credit for Investment in Facilities for Research and Manpower
16	RSTA Article 22 – Tax Exemption on Investment in Overseas Resources Development
17	RSTA Article 24 – Tax Credit for Investment for Productivity Increase Facilities
18	RSTA Article 25 – Tax Credit for Investment in Facilities for Environment or Safety
19	RSTA Article 25-2 – Tax Credit for Investments in Energy Economizing Facilities
20	RSTA Article 25-3 – Tax Credit for Investment in Environment and Safety Facilities
21	RSTA Article 26 – GOK Facilities Investment Support
22	RSTA Article 104-14 – Third-Party Logistics Operations
23	RSTA Article 104-15 – Development of Overseas Resources
24	RSLTA Article 109 – Tax Credit for Investing in Facilities for Increasing Productivity
25	RSLTA Article 110 – Tax Credit for Investing in Safety Facilities

26	RSLTA Article 111 – Tax Credit for Investing in Energy-Saving Facilities
27	RSLTA Article 112 – Tax Credit for Investing in Facilities for Environmental Conservation
28	RSLTA Article 114 – Tax Credit for Employment-Creating Investment
29	RSLTA Article 78 – Acquisition and Property Tax Benefits to Companies in Industrial Complexes
30	Demand Response Resources Program
31	Grants for Overseas Resource Development
32	Industrial Grants Pursuant to the ITIPA
33	Modal Shift Program
34	Grants for Conversion into Environment-Friendly Industrial Structure
35	The Job Sharing and Employment Management Program: Sharing of Working Opportunities/Employment Creating Incentives ²⁵⁰
36	Assistance and Financial Support for New Convergence Industries and Manufacturers Program: Grants
37	KDB Support for Industrial Restructuring: Grants
38	Management of Electricity Factor Load Program – Emergent Reduction Sub-Program

²⁵⁰ See GOK 1SQR at 18 and Appendix 1; *see also* CVD Initiation Checklist at 31. We initiated on this program as the program name titled “Sharing of Working Opportunities/Employment Creating Incentives.” However, the GOK stated that this program is a sub-program under the Job Sharing and Employment Management Program. Thus, we list this program as the “The Job Sharing and Employment Management Program: Sharing of Working Opportunities/Employment Creating Incentives” in the appendix.