



C-580-898

Administrative Review
POR: 06/29/2018 – 12/31/2019
Public Document
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July 30, 2021

MEMORANDUM TO: Christian Marsh
Acting Assistant Secretary
for Enforcement and Compliance

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

SUBJECT: Decision Memorandum for the Preliminary Results of the
Countervailing Duty Administrative Review, 2018-2019: Large
Diameter Welded Pipe from the Republic of Korea

I. SUMMARY

The Department of Commerce (Commerce) is conducting an administrative review of the countervailing duty (CVD) order on large diameter welded pipe (welded pipe) from the Republic of Korea (Korea) for the period of review (POR) June 29, 2018, through December 31, 2019. This review covers 21 producers/exporters of subject merchandise. Commerce selected Hyundai RB Co., Ltd. (Hyundai RB) and SeAH Steel Corporation (SeAH Steel) as the mandatory respondents. We preliminarily determine that countervailable subsidies are being provided to producers and exporters of welded pipe from Korea.

II. BACKGROUND

On May 2, 2019, Commerce published the *Order* in the *Federal Register*.¹ On May 1, 2020, Commerce published in the *Federal Register* a notice of opportunity to request an administrative review of the *Order* for the POR.² On May 29, 2020, Hyundai RB, a producer and exporter of subject merchandise, requested an administrative review.³ On June 1, 2020, SeAH Steel and HiSteel Co., Ltd. (HiSteel), both producers and exporters of subject merchandise, each requested

¹ See *Large Diameter Welded Pipe from the Republic of Korea: Countervailing Duty Order*, 84 FR 18773 (May 2, 2019) (*Order*).

² See *Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity to Request Administrative Review*, 85 FR 25394 (May 1, 2020).

³ See Hyundai RB's Letter, "Request for Administrative Review," dated May 29, 2020.



an administrative review.⁴ Also, on June 1, 2020, Commerce received a request from the petitioners⁵ for an administrative review of twenty producers or exporters of subject merchandise, including Hyundai RB and HiSteel.⁶ On July 10, 2020, Commerce initiated a review of the *Order* covering 21 producers and/or exporters for which interested parties requested review.⁷

In the *Initiation Notice*, we stated that, in the event that we limited the number of respondents selected for individual examination, we intended to select respondents based on U.S. Customs and Border Protection (CBP) data for U.S. imports during the POR.⁸ On July 13, 2020, Commerce released CBP entry data to all interested parties under an administrative protective order, and requested comments on the data and respondent selection.⁹ We received no comments regarding the CBP data or respondent selection. On August 4, 2020, Commerce selected Hyundai RB and SeAH Steel as the mandatory respondents in the administrative review.¹⁰

On August 5, 2020, Commerce issued the Initial Questionnaire to the Government of Korea (GOK).¹¹ On August 26, 2020, Hyundai RB and SeAH Steel submitted their affiliation questionnaire responses.¹² On September 30, 2020, the GOK, Hyundai RB, and SeAH Steel submitted their responses to the Initial Questionnaire.¹³ Between August 2020 and July 2021,

⁴ See SeAH Steel's Letter, "Request for Administrative Review," dated June 1, 2020; and HiSteel's Letter, "Request for Administrative Review," dated June 1, 2020.

⁵ The petitioners are the American Cast Iron Pipe Company, Berg Steel Pipe Corp., Berg Spiral Pipe Corp., Dura-Bond Industries, Stupp Corporation, and Welspun Global Trade LLC, individually and as members of the American Line Pipe Producers Association; Greens Bayou Pipe Mill, LP; JSW Steel (USA) Inc.; Skyline Steel; and Trinity Products LLC (collectively, the petitioners).

⁶ See Petitioners' Letter, "Request for Administrative Review," dated June 1, 2020.

⁷ We initiated a review on: AJU Besteel Co., Ltd; Chang Won Bending Co., Ltd; Daiduck Piping Co., Ltd; Dong Yang Steel Pipe Co., Ltd; Dongbu Incheon Steel Co., Ltd; EEW KHPC Co., Ltd; EEW Korea Co., Ltd; HiSteel; Husteel Co., Ltd. (Husteel); Hyundai RB; Hyundai Steel Company (Hyundai Steel); Kiduck Industries Co., Ltd; Kum Kang Kind. Co., Ltd; Kumsoo Connecting Co., Ltd; Nexteel Co., Ltd; Samkang M&T Co., Ltd; SeAH Steel; Seonghwa Industrial Co., Ltd; SIN-E B&P Co., Ltd; Steel Flower Co., Ltd; and WELTECH Co., Ltd. Subject merchandise both produced and exported by Husteel, as well as subject merchandise both produced and exported by Hyundai Steel and subject merchandise produced by Hyundai Steel and exported by Hyundai Corporation are excluded from the *Order*. Thus, Husteel's and Hyundai Steel's inclusion in this administrative review is limited to entries for which Husteel was not both the producer and exporter of the subject merchandise, entries for which Hyundai Steel was not the producer and exporter of the subject merchandise, and entries for which Hyundai Steel was not the producer and Hyundai Corporation was not the exporter of subject merchandise. See *Initiation of Antidumping and Countervailing Duty Administrative Reviews*, 85 FR 41540 (July 10, 2020) (*Initiation Notice*).

⁸ *Id.*

⁹ See Memorandum, "Release of Customs Entry Data from U.S. Customs and Border Protection," dated July 13, 2020.

¹⁰ See Memorandum, "Respondent Selection," dated August 4, 2020.

¹¹ See Commerce's Letter, "Countervailing Duty Questionnaire," dated August 5, 2020 (Initial Questionnaire).

¹² See Hyundai RB's Letter, "Hyundai RB's Section III "Affiliated Companies" Response," dated August 26, 2020 (Hyundai RB Affiliation Response); and SeAH Steel's Letter, "Identification of Other Companies Subject to Examination," dated August 26, 2020 (SeAH Steel Affiliation Response).

¹³ See GOK's Letter, "Response to the Initial Questionnaire," dated September 30, 2020 (GOK Initial Response); Hyundai RB's Letter, "Hyundai RB's Section III Questionnaire Response," dated September 30, 2020 (Hyundai RB Initial Response); and SeAH Steel's Letter, "Response to August 5 Section III Questionnaire," dated September 30, 2020 (SeAH Steel Initial Response).

Commerce issued supplemental questionnaires to the GOK, Hyundai RB, and SeAH Steel, to which it received timely responses between September 2020 and July 2021.¹⁴

On November 3, 2020, the petitioners timely filed two new subsidy allegations (NSAs) and an upstream subsidy allegation.¹⁵ On December 1, 2020, the GOK, Hyundai RB, and SeAH Steel timely submitted rebuttal comments on the NSAs and the upstream subsidy allegation.¹⁶ On December 10, 2020, the petitioners timely submitted surrebuttal comments.¹⁷ On March 24, 2021, Commerce initiated on the two NSAs and declined to initiate on the upstream subsidy allegation.¹⁸ On March 24, 2021, Commerce issued NSA questionnaires to the GOK, Hyundai RB, and SeAH Steel.¹⁹ On April 7, 2021, the GOK, Hyundai RB, and SeAH Steel submitted their responses to the NSA questionnaires.²⁰

On July 21, 2020, Commerce tolled all preliminary and final results deadlines in administrative reviews by 60 days.²¹ On March 9, 2021, Commerce extended the deadline for the preliminary results of this review to no later than July 30, 2021.²²

On July 9, 2021, the petitioners submitted pre-preliminary comments.²³ On July 16, 2021, Hyundai RB submitted rebuttal comments to the petitioners' pre-preliminary comments.²⁴

¹⁴ See GOK's Letters, "Response to Section II Supplemental Questionnaire," dated March 30, 2021 (GOK Supplemental Response); "Response to the Second Supplemental Questionnaire," dated April 26, 2021 (GOK 2nd Supplemental Response); "Response to the Third Supplemental Questionnaire," dated May 14, 2021 (GOK 3rd Supplemental Response); "Response to the Third Supplemental Questionnaire," dated May 24, 2021 (GOK 4th Supplemental Response); "Response to the Fifth Supplemental Questionnaire," dated July 14, 2021 (GOK 5th Supplemental Response); Hyundai RB's Letters, "Hyundai RB's Affiliation Supplemental Questionnaire Response," dated September 15, 2020 (Hyundai RB Affiliation Supplemental Response); "Hyundai RB's Supplemental Section III Questionnaire Response," dated May 4, 2021; and SeAH Steel's Letters, "Response to Affiliation Supplemental Questionnaire," dated September 4, 2020 (SeAH Steel Affiliation Supplemental Response); "Response to March 5 Supplemental Questionnaire," dated March 19, 2021 (SeAH Steel Supplemental Response); and "Response to April 16 Supplemental Questionnaire," dated April 28, 2021 (SeAH Steel 2nd Supplemental Response).

¹⁵ See Petitioners' Letter, "New Subsidy Allegations," dated November 3, 2020.

¹⁶ See GOK's Letter, "Response to the Petitioners' New Subsidy Allegations," dated December 1, 2020; Hyundai RB's Letter, "Rebuttal Factual Information Relating to the Petitioner's New Subsidy Allegations," dated December 1, 2020; and SeAH Steel's Letter, "Response to New Subsidy Allegation," dated December 1, 2020.

¹⁷ See Petitioners' Letter, "Response to Comments on Petitioner's New Subsidy Allegations," dated December 10, 2020.

¹⁸ See Memorandum, "New Subsidy Allegations," dated March 24, 2021 (NSA Memorandum).

¹⁹ See Commerce's Letter, "New Subsidy Allegations Questionnaire," dated March 24, 2021.

²⁰ See GOK's Letter, "Response to New Subsidy Allegations Questionnaire," dated April 7, 2021 (GOK NSA Response); Hyundai RB's Letter, "Hyundai RB's New Subsidy Allegations Questionnaire Response," dated April 7, 2021 (Hyundai RB NSA Response); and SeAH Steel's Letter, "Response to March 24 New Subsidy Allegations Questionnaire," dated April 7, 2021 (SeAH Steel NSA Response).

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

²² See Memorandum, "Extension of Deadline for Preliminary Results of Countervailing Duty Administrative Review; 2018-2019," dated March 9, 2021.

²³ See Petitioners' Letter, "Pre-Preliminary Comments," dated July 9, 2021. This submission was not received in time to be considered for the preliminary results.

²⁴ See Hyundai RB's Letter, "Response to the Petitioner's Pre-Preliminary Results Comments," dated July 16, 2021. This submission was not received in time to be considered for the preliminary results.

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

III. SCOPE OF THE *ORDER*

The merchandise covered by this *Order* is welded carbon and alloy steel pipe (other than stainless steel pipe), more than 406.4 mm (16 inches) in nominal outside diameter (large diameter welded pipe), regardless of wall thickness, length, surface finish, grade, end finish, or stenciling. Large diameter welded pipe may be used to transport oil, gas, slurry, steam, or other fluids, liquids, or gases. It may also be used for structural purposes, including, but not limited to, piling. Specifically, not included is large diameter welded pipe produced only to specifications of the American Water Works Association (AWWA) for water and sewage pipe.

Large diameter welded pipe used to transport oil, gas, or natural gas liquids is normally produced to the American Petroleum Institute (API) specification 5L. Large diameter welded pipe may also be produced to American Society for Testing and Materials (ASTM) standards A500, A252, or A53, or other relevant domestic specifications, grades and/or standards. Large diameter welded pipe can be produced to comparable foreign specifications, grades and/or standards or to proprietary specifications, grades and/or standards, or can be non-graded material. All pipe meeting the physical description set forth above is covered by the scope of the *Order*, whether or not produced according to a particular standard.

Subject merchandise also includes large diameter welded pipe that has been further processed in a third country, including but not limited to coating, painting, notching, beveling, cutting, punching, welding, or any other processing that would not otherwise remove the merchandise from the scope of the *Order* if performed in the country of manufacture of the in-scope large diameter welded pipe.

Excluded from the scope is large diameter welded pipe in the following combinations of grades, outside diameters, and wall thicknesses:²⁵

- Grade X60, X65, or X70, 18 inches outside diameter, 0.688 inches or greater wall thickness;
- Grade X60, X65, or X70, 20 inches outside diameter, 0.688 inches or greater wall thickness;
- Grade X60, X65, X70, or X80, 22 inches outside diameter, 0.750 inches or greater wall thickness; and
- Grade X60, X65, or X70, 24 inches outside diameter, 0.750 inches or greater wall thickness.

²⁵ See *Large Diameter Welded Pipe from the Republic of Korea: Final Results of Antidumping and Countervailing Duty Changed Circumstances Reviews*, 85 FR 51679 (August 21, 2020).

The large diameter welded pipe that is subject to the *Order* is currently classifiable in the Harmonized Tariff Schedule of the United States (HTSUS) under subheadings 7305.11.1030, 7305.11.1060, 7305.11.5000, 7305.12.1030, 7305.12.1060, 7305.12.5000, 7305.19.1030, 7305.19.1060, 7305.19.5000, 7305.31.4000, 7305.31.6090, 7305.39.1000 and 7305.39.5000. While the HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of the *Order* is dispositive.

IV. PERIOD OF REVIEW

The POR is June 29, 2018, through December 31, 2019.

V. DIVERSIFICATION OF KOREA’S ECONOMY

On October 27, 2020, Commerce placed the Korea Diversification Memo on the record.²⁶ This information reflects a wide diversification of economic activities in Korea.²⁷ This information indicates that Korea has 19 industry groupings with a broad range of distinctly different types of economic activities within these groupings.

VI. SUBSIDIES VALUATION INFORMATION

A. Allocation Period

For non-recurring subsidies, we applied the “0.5 percent test,” as described in 19 CFR 351.524(b)(2). Under this test, we divide the amount received from a subsidy approved under a given program in a particular year by the relevant sales value (*e.g.*, total sales or export sales) for the same year. If the amount of the subsidies is less than 0.5 percent of the relevant sales value, then the benefits are allocated to the year of receipt rather than across the average useful life (AUL). In the instant review, we are relying on a 15-year AUL.²⁸

B. Attribution of Subsidies

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

²⁶ See Memorandum, “Placement of Republic of Korea Economic Diversification Memorandum on the Record,” dated October 27, 2020.

²⁷ See Memorandum, “The Extent of Diversification of Economic Activities in the Republic of Korea (South Korea) for the Purpose of Determining Specificity of a Domestic Subsidy for Countervailing Duty (CVD) Purposes,” dated September 13, 2018.

²⁸ See U.S. Internal Revenue Service Publication 946 (2019), “How to Depreciate Property,” at Table B-2: Table of Class Lives and Recovery Periods.

According to 19 CFR 351.525(b)(6)(vi), cross-ownership exists between two or more corporations where one corporation can use or direct the individual assets of the other corporation(s) in essentially the same ways it can use its own assets. This regulation states that this standard will normally be met where there is a majority voting interest between two corporations or through common ownership of two (or more) corporations. The Court of International Trade 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.²⁹ Regarding an input supplier, the *CVD Preamble* also explains that “{t}he main concern we have tried to address is the situation where a subsidy is provided to an input supplier whose production is dedicated almost exclusively to the production of a higher value added product – the type of input product that is merely a link in the overall production chain.”³⁰

Hyundai RB

Hyundai RB reported that it is a domestically-owned enterprise engaged in the production and sale of steel products, including welded pipe.³¹ Therefore, in accordance with 19 CFR 351.525(b)(6)(i), we are preliminarily attributing subsidies received by Hyundai RB to its own sales.³²

Hyundai RB reported it was created on September 30, 2009, through a merger between two companies: Shinchang Bending and Hyundai RB.³³ Shinchang Bending emerged as the surviving entity. All assets and liabilities of (former) Hyundai RB were transferred to Shinchang Bending, and (former) Hyundai RB was liquidated.³⁴ Shinchang Bending then was renamed to Hyundai RB Co., Ltd, the mandatory respondent in this administrative review.³⁵ Given record evidence, we preliminarily find that the merger between (former) Hyundai RB and Shinchang Bending has not extinguished subsidies received by either entity during the AUL period. As such, we preliminarily find that subsidies received by both (former) Hyundai RB and Shinchang Bending in the AUL period provide allocable countervailable subsidies to Hyundai RB during the POR.

Hyundai RB reported³⁶ that it made some export sales of welded pipe to the United States through an unaffiliated trading company, Trader A.³⁷ In accordance with Commerce's

²⁹ See *Fabrique de Fer de Charleroi v. United States*, 166 F. Supp. 2d 593, 600-604 (CIT 2001).

³⁰ See *Countervailing Duties*, 63 FR 65348, 65401 (November 25, 1998) (*CVD Preamble*).

³¹ See Hyundai RB Initial Response at III-5 to III-6.

³² For the denominators used in the preliminary calculations, see Memorandum, “Preliminary Results Calculations for Hyundai RB Co., Ltd.,” dated concurrently with this memorandum (Hyundai RB Preliminary Calculation Memorandum).

³³ See Hyundai RB Affiliation Supplemental Response at Exhibit 4, page 1.

³⁴ *Id.* at Exhibit 4, page 2.

³⁵ *Id.* at Exhibit 4, page 1.

³⁶ See Hyundai RB Affiliation Response at AFF-2.

³⁷ The name of the unaffiliated trading company is business proprietary information (BPI). For the full name of the company, see the BPI version of the Hyundai RB Preliminary Calculation Memorandum.

questionnaire, Trader A submitted a complete questionnaire response.³⁸ 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 that is producing subject merchandise that is sold through the trading company, regardless of whether the trading company and the producing firm are affiliated. Thus, we are preliminarily cumulating the benefits from subsidies received by Trader A with the benefits from subsidies received by Hyundai RB based on the ratio of Trader A's exports to the United States of subject merchandise that was produced by Hyundai RB during the POR (based on value).³⁹

SeAH Steel

SeAH Steel reported that it is a publicly traded company engaged in the production and sale of steel products, including welded pipe.⁴⁰ Therefore, in accordance with 19 CFR 351.525(b)(6)(i), we are preliminarily attributing subsidies received by SeAH Steel to its own sales.⁴¹

SeAH Steel reported that effective September 1, 2018, it undertook a corporate restructuring that resulted in the renaming of SeAH Steel Corporation to SeAH Steel Holdings Corporation (SeAH Holdings) and the spin-off of SeAH Steel's operations into a newly-created corporation named SeAH Steel Corporation.⁴² SeAH Holdings, a publicly traded holding company, effectively became SeAH Steel's parent company through the ownership of shares in SeAH Steel and through common ownership by the same family of both companies.⁴³ As the holding parent of SeAH Steel, SeAH Holdings provided a section III questionnaire response.⁴⁴ Pursuant to 19 CFR 351.525(b)(6)(iii), for subsidies received by a holding or parent company, Commerce attributes the benefit to the combined sales of the holding company and its subsidiary, excluding the sales between the two corporations. Accordingly, pursuant to 19 CFR 351.525(b)(6)(iii), we are attributing subsidies received by SeAH Holdings to its total sales plus the sales of SeAH Steel, net of intercompany sales.⁴⁵

SeAH Steel also reported that it purchased welding wire and welding flux from ESAB SeAH Corporation (SeAH ESAB), its cross-owned affiliate, during the POR.⁴⁶ SeAH Steel explained that welding wire and welding flux are used in the process of producing welded pipe.⁴⁷ Therefore, in accordance with Commerce's questionnaire, SeAH ESAB submitted a complete questionnaire response and responded to a supplemental questionnaire.⁴⁸ Pursuant to 19 CFR

³⁸ See Hyundai RB's Letter, "Volume III – Unaffiliated Export Trading Company Response," dated September 30, 2020 (Trader A Initial Response).

³⁹ For the denominators used in the preliminary calculations, see Hyundai RB Preliminary Calculation Memorandum.

⁴⁰ See SeAH Steel Initial Response at Volume I, p.14.

⁴¹ For the denominators used in the preliminary calculations, see Memorandum "Preliminary Results Calculations for SeAH Steel Corporation," dated concurrently with this memorandum (SeAH Steel Preliminary Calculation Memorandum).

⁴² See SeAH Steel Affiliation Response at 4.

⁴³ *Id.* at 5.

⁴⁴ See SeAH Steel Initial Response at Volume I.

⁴⁵ For the denominators used in the preliminary calculations, see SeAH Steel Preliminary Calculation Memorandum.

⁴⁶ See SeAH Steel Affiliation Response at 8.

⁴⁷ *Id.* at 10.

⁴⁸ See SeAH Steel Affiliation Supplemental Response at 5; see also SeAH Steel Initial Response at Volume IV.

351.525(b)(6)(iv), for subsidies received by an input supplier whose production of inputs is primarily dedicated to the production of the downstream merchandise by a cross-owned producer, Commerce attributes the benefit to the combined sales of the input and downstream products produced by both corporations, excluding the sales between the two corporations. Accordingly, pursuant to 19 CFR 351.525(b)(6)(iv), we are preliminarily attributing subsidies received by SeAH ESAB to its total sales plus the sales of SeAH Steel, net of inter-company sales.⁴⁹

SPP Steel Pipe

In its affiliation response, SeAH Steel reported that in March 2012, it acquired the plants and facilities of SPP Steel Pipe, a Korean steel pipe manufacturer.⁵⁰ Commerce directed SeAH Steel to provide a Change in Ownership (CIO) Appendix for SPP Steel Pipe, which it provided in its affiliation supplemental response.⁵¹ In addition, SeAH Steel asserted that under Commerce practice, any subsidies received by SPP Steel Pipe prior to its purchase by SeAH Steel would be extinguished by the sale.⁵²

In its CIO Appendix, SeAH Steel stated that SPP Steel Pipe was created on July 20, 2011, when its welded pipe operations were spun-off from its parent company, SPP Resources, through a division of assets and liabilities.⁵³ As part of a restructuring agreement with Woori Bank, a GOK-owned bank during this period, SPP Resources agreed to dispose of non-core assets such as its welded pipe manufacturing operations.⁵⁴ Accordingly, SPP Resources created SPP Steel Pipe as a standalone company and contacted the accounting firm Horwath Choongjung LLC to manage the sale.⁵⁵ Horwath Choongjung LLC contacted potential buyers and provided SeAH Steel an investor profile in September 2011.⁵⁶ SeAH Steel verified the net asset value of SPP Steel Pipe and submitted a binding offer.⁵⁷ SeAH Steel participated in the bidding process for SPP Steel Pipe, where it was the highest bidder out of two bids.⁵⁸ Subsequently, SPP Steel Pipe was renamed SeAH Pipe and merged into SeAH Steel, effective January 1, 2013.⁵⁹

SeAH Steel stated that SPP Resources went through bankruptcy proceedings and was closed as of April 17, 2015.⁶⁰ SeAH Steel stated that it contacted SPP Shipbuilding, the main company of SPP Group, to obtain more information on the company, but was unable to obtain more information from SPP Shipbuilding.⁶¹ SeAH Steel also demonstrated that it had no relationship with Woori Bank, SPP Resources's and SPP Shipbuilding's main creditor.⁶² SeAH Steel

⁴⁹ For the denominators used in the preliminary calculations, *see* SeAH Steel Preliminary Calculation Memorandum.

⁵⁰ *See* SeAH Steel Affiliation Response at 13.

⁵¹ *See* SeAH Steel Affiliation Supplemental Response at Volume II, Attachment S-3.

⁵² *Id.* at Volume I, p. 7.

⁵³ *Id.* at Volume II, Attachment S-3.

⁵⁴ *Id.*

⁵⁵ *Id.*

⁵⁶ *Id.*

⁵⁷ *Id.*

⁵⁸ *Id.*

⁵⁹ *Id.*

⁶⁰ *Id.* at Volume II, Appendix SPP-1-C.

⁶¹ *Id.* at Volume II, Appendices SPP-2-A and SPP-2-B.

⁶² *Id.* at Volume II, Appendices SPP-3-A and SPP-3-B.

provided copies of the investor profile, binding offer, the memorandum of understanding, the due diligence report, and the agreement for stock transfer.⁶³

SeAH Steel asserted that its purchase of SPP Steel Pipe extinguished all of the subsidies it may have received prior to the purchase. For purposes of determining whether any prior subsidy benefits received by SPP Steel Pipe were extinguished as a result of the change in ownership, we rely on the *Notice of Final Modification* and *Pasta from Italy* in evaluating SeAH Steel's argument.⁶⁴ As stipulated in the *Notice of Final Modification*, the "baseline presumption" is that non-recurring, allocable subsidies continue to benefit the subsidy recipient throughout the allocation period.⁶⁵ However, an interested party may rebut this baseline presumption by demonstrating that a change in ownership occurred in which the former owner sold "all or substantially all" of a company or its assets, and that the sale was at arm's length and for fair market value.⁶⁶ Further, in accordance with the *Notice of Final Modification* and *Pasta from Italy*, if the evidence presented does not demonstrate that the change in ownership was at arm's length and for fair market value, the baseline presumption will not be rebutted and we will find that the pre-change-in-ownership benefits were not extinguished.⁶⁷ In considering whether the transaction is an arm's-length transaction, the *Notice of Final Modification* and *Pasta from Italy* point to the Statement of Administrative Action (SAA), which defines an arm's-length transaction as a transaction between unrelated parties, each acting in its own interest, or between related parties such that the terms of the transaction are those that would exist if the transaction had been negotiated between unrelated parties.⁶⁸ The Act does not provide a definition of fair market value, and there is no discussion of fair market value in the SAA, so we rely upon the *Notice of Final Modification* and *Pasta from Italy*, for the relevant guidance. Specifically, both documents state that:

{I}n analyzing whether the transaction was for fair market value, the basic question is whether the full amount that the company or its assets was actually worth under the prevailing market conditions was paid. In making this determination, we normally will examine whether the seller acted in a manner consistent with the normal sales practices of private, commercial sellers in that country.⁶⁹

Further, the *Notice of Final Modification* provides a non-exhaustive list of factors that Commerce may consider, such as whether the highest bid price was accepted.

⁶³ *Id.* at Volume II, Appendices SPP-5, SPP-7, SPP-8, SPP-9, and SPP-10.

⁶⁴ See *Notice of Final Modification of Agency Practice Under Section 123 of the Uruguay Round Agreements Act Section 123 Modification*, 68 FR 37125 (June 23, 2003) (*Notice of Final Modification*). The *Notice of Final Modification* explicitly addresses full privatization, but Commerce later determined to apply this methodology to private-to-private sales. See, e.g., *Certain Pasta from Italy: Preliminary Results and Partial Rescission of the Eighth Countervailing Duty Administrative Review*, 70 FR 17971 at 17972 (April 8, 2005), unchanged in *Certain Pasta from Italy: Final Results of the Eighth Countervailing Duty Administrative Review*, 70 FR 37084 (June 28, 2005) (collectively, *Pasta from Italy*).

⁶⁵ See *Notice of Final Modification*, 68 FR at 37127.

⁶⁶ *Id.*

⁶⁷ *Id.*

⁶⁸ *Id.*; see also *Pasta from Italy*, 70 FR at 17972; and SAA, accompanying the Uruguay Round Agreements Act, H.R. Doc. No. 103-316 at 928 (1994).

⁶⁹ See *Notice of Final Modification*, 68 FR at 37127; see also *Pasta from Italy*, 70 FR at 17972.

In this case, we find that SeAH Steel provided sufficient information to determine that the acquisition of SPP Steel Pipe was at arm's length and for fair market value. In the investigation, Commerce conducted verification of SeAH Steel and had reviewed the same documents that are included in the CIO Appendix submitted on the record of this review; we noted no inconsistencies within the information submitted in the questionnaire responses.⁷⁰ Following our practice, as described above, we determine that SeAH Steel purchased all or substantially all of SPP Steel Pipe's assets from SPP Resources. According to record information, the transaction was negotiated between unrelated, privately-owned parties after SeAH Steel offered the highest bid for SPP Steel Pipe.⁷¹ SeAH Steel provided the due diligence report, demonstrating that external independent auditors from the Anjin Deloitte Accounting Firm audited SPP Steel Pipe's financial statements and accounting system to evaluate the state of the company, after which SeAH Steel was able to negotiate the final price.⁷²

Based on the above information, we find that the sale of SPP Steel Pipe was an arm's-length transaction negotiated between unrelated parties, each acting in its own interest. As noted above, where an arm's-length sale occurs between private parties, we would normally expect the private seller to act in a manner consistent with the normal sales practices of private, commercial sellers in that country. Therefore, because this transaction occurred between private parties, we also find that this transaction was conducted for fair market value. Consequently, we determine that any subsidies received by SPP Steel Pipe prior to its change in ownership are presumed to be extinguished in their entirety.⁷³

C. Denominators

When selecting an appropriate denominator for use in calculating the *ad valorem* subsidy rate, Commerce considers the basis for the respondent's receipt of benefits under each program. 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.

VII. BENCHMARKS AND INTEREST RATES

A. Short-Term Korean Won (KRW)-Denominated Loans

During the POR, Hyundai RB and SeAH Steel reported receiving short-term financing from the Korean Export-Import Bank (KEXIM).⁷⁴ SeAH Holdings reported receiving short-term financing from Korea Development Bank (KDB).⁷⁵ Hyundai RB and SeAH Steel provided

⁷⁰ See SeAH Steel Affiliation Supplemental Response at Volume II, Appendix LDWP-1.

⁷¹ *Id.* at Attachment S-3.

⁷² *Id.* at Appendix SPP-9.

⁷³ *Id.*; see also *Certain Pasta from Italy: Preliminary Results and Partial Rescission of the Seventh Countervailing Duty Administrative Review*, 69 FR 45676 (July 30, 2004), unchanged in *Certain Pasta from Italy: Final Results of the Seventh Countervailing Duty Administrative Review*, 69 FR 70657 (December 7, 2004).

⁷⁴ See Hyundai RB Initial Response at III-5 and III-26; and SeAH Steel Initial Response at Volume I, Appendix 9-A.

⁷⁵ See SeAH Steel Initial Response at Volume I, p. 40.

information about short-term loans from commercial banks for consideration as comparable commercial loans for purposes of identifying an interest rate benchmark.⁷⁶ We preliminarily determine that some of the loans Hyundai RB and SeAH Steel identified constitute comparable commercial loans, and it is appropriate to use these loans to calculate a weighted-average benchmark interest rate, pursuant to 19 CFR 351.505(a)(2)(iv).⁷⁷

B. Long-Term KRW-Denominated Loans

SeAH Steel and SeAH Holdings reported that they had outstanding countervailable long-term KRW-denominated loans from KEXIM during the POR.⁷⁸ 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.⁷⁹ SeAH Steel provided information about its long-term loans from commercial banks for consideration as comparable commercial loans for purposes of identifying an interest rate benchmark.⁸⁰ We preliminarily determine that some of the loans SeAH Steel identified constitute comparable commercial loans, and it is appropriate to use these loans as a comparable benchmark interest rate, pursuant to 19 CFR 351.505(a)(2)(iii).⁸¹ For years in which a company-specific benchmark was not available, in accordance with 19 CFR 351.505(a)(3)(ii), we used national average interest rates from the International Monetary Fund's International Financial Statistics as benchmark rates for KRW-denominated long-term loans.

C. Discount Rates

Hyundai RB reported receiving non-recurring subsidies prior to the POR. As such, we have performed the "0.5 Percent Test" for each year in which a non-recurring subsidy was received. We allocated those subsidies that exceeded 0.5 percent of the relevant sales value during the year the subsidy was received.⁸² To allocate those subsidies over time, we used discount rates reflecting the AUL of the assets used to produce the subject merchandise (*i.e.*, 15 years). We relied on the interest rate that the company paid on its KRW-denominated long-term rate borrowing as benchmark interest rates. For years in which a company-specific benchmark was not available, in accordance with 19 CFR 351.505(a)(3)(ii), we used national average interest rates from the International Monetary Fund's International Financial Statistics as benchmark rates for KRW-denominated long-term loans.

⁷⁶ See Hyundai RB Initial Response at Exhibit III.B.2(b); and SeAH Steel Initial Response at Volume I, Appendix 9-D.

⁷⁷ See Hyundai RB Preliminary Calculation Memorandum and SeAH Steel Preliminary Calculation Memorandum.

⁷⁸ See SeAH Steel Initial Response at Volume I, Appendix 10-A.

⁷⁹ See 19 CFR 351.505(a)(3).

⁸⁰ See SeAH Steel Initial Response at Volume I, Appendix 10-D.

⁸¹ See SeAH Steel Preliminary Calculation Memorandum.

⁸² See 19 CFR 351.524(b)(2).

VIII. ANALYSIS OF PROGRAMS

A. Programs Preliminarily Determined to Be Countervailable

1. Demand Response Resources (DRR) Program

Hyundai RB, SeAH Steel, and SeAH ESAB reported receiving benefits under the DRR Program during the POR.⁸³ Commerce previously determined that this program was countervailable⁸⁴ in *Welded Pipe from Korea INV*.⁸⁵

Under the DRR Program, the Korea Power Exchange (KPX) pays multiple private Demand Management Business Operators, also called “aggregators,” which have direct, contractual relationships with end users of the program.⁸⁶ End users receive payments from those aggregators.⁸⁷ Prior to that exchange between the KPX and the aggregators, the Korea Electric Power Corporation (KEPCO) pays the KPX for the latter’s role in demand curtailment under the program.⁸⁸

The GOK confirmed that there were no changes to the program during the POR.⁸⁹ Thus, we preliminarily find that the program is *de facto* specific under section 771(5A)(D)(iii)(I) of the Act, as the actual recipients of the subsidy are limited in number.⁹⁰ We have previously found KEPCO and KPX to each be an “authority” within the meaning of section 771(5)(B) of the Act.⁹¹ Therefore, we preliminarily determine that a financial contribution in the form of a direct transfer of funds is provided to companies participating in this program under section 771(5)(D)(i) of the Act and a benefit exists in the amount of the grant provided to the respondents in accordance with 19 CFR 351.504(a).

To calculate the net subsidy rate, we divided the total benefit by the appropriate sales denominator, consistent with the “Attribution of Subsidies” section above. On this basis, we preliminarily determine that the calculation of the benefit for Hyundai RB resulted in a net countervailable subsidy rate that is less than 0.005 percent.⁹² We also preliminarily determine that SeAH Steel received a net countervailable subsidy rate of 0.01 percent *ad valorem*.⁹³

⁸³ See Hyundai RB Initial Response at III-21; and SeAH Steel Initial Response at Volume I, Appendix 8-A and Volume IV, Appendix ESAB-7-A.

⁸⁴ Commerce’s practice, as affirmed by the United States Court of Appeals for the Federal Circuit, is to not revisit financial contribution and specificity determinations made in a prior segment of the same proceeding, absent the presentation of new facts or evidence. See *Magnola Metallurgy, Inc. v United States*, 508 F. 3d 1349, 1353-56 (Fed. Cir. 2007) (*Magnola Metallurgy*).

⁸⁵ See *Large Diameter Welded Pipe from the Republic of Korea: Final Affirmative Countervailing Duty Determination*, 84 FR 6369 (February 27, 2019) (*Welded Pipe from Korea INV*), and accompanying Issues and Decision Memorandum (IDM) at 13.

⁸⁶ See GOK Initial Response at 31.

⁸⁷ *Id.*

⁸⁸ *Id.* at 20.

⁸⁹ See GOK Initial Response at 4.

⁹⁰ See GOK Supplemental Response at 1.

⁹¹ See, e.g., *Welded Pipe from Korea INV* IDM at 35; see also *infra* at 27 for our discussion of KEPCO.

⁹² See Hyundai RB Preliminary Calculation Memorandum.

⁹³ See SeAH Steel Preliminary Calculation Memorandum.

2. Discount Electricity Charges for Energy Storage Systems (ESS)

SeAH Steel reported receiving benefits under the Discount Electricity Charges for ESS program during the POR.⁹⁴ This program was adopted on January 1, 2015, with the purpose to reduce the maximum demand of electricity in Korea.⁹⁵ Customers who install an ESS, the function of which is to store electricity for later use, are provided with electricity fee discounts.⁹⁶ The two types of discounts provided during the POR were a discount on the basic price and a discount on the electric power consumption price.⁹⁷ This program is administered under KEPCO's General Terms and Conditions of Electricity Supply, which was adopted to set terms and conditions concerning electric utility charges and other conditions of electricity supply.⁹⁸

In the underlying investigation, we found KEPCO to be an "authority" within the meaning of section 771(5)(B) of the Act.⁹⁹ Nothing on the record of review would cause us to reconsider this finding. Therefore, we preliminarily determine that a financial contribution in the form of revenue forgone from KEPCO is provided to companies participating in this program under section 771(5)(D)(ii) of the Act, and a benefit exists in the amount of the grant provided to SeAH Steel in accordance with 19 CFR 351.504(a). The implementing law and rules for this program do not expressly limit eligibility to a specific enterprise or industry or group thereof, in accordance with section 771(5A)(D)(i) of the Act. However, the GOK submits that 440 and 463 companies were approved for the assistance under this program during 2018 and 2019, respectively.¹⁰⁰ Therefore, we preliminarily determine that this program is *de facto* specific under section 771(5A)(D)(iii)(I) of the Act, as the actual recipients of the subsidy are limited in number.

To calculate the net subsidy rate, we divided the total benefit by SeAH Steel's total sales. On this basis, we preliminarily determine SeAH Steel received a net countervailable subsidy rate of 0.26 percent *ad valorem*.¹⁰¹

3. Restriction of Special Taxation Act (RSTA) Article 5

Hyundai RB reported receiving tax exemptions under RSTA Article 5 during the POR.¹⁰² RSTA Article 5 provides tax credits for investments made by a small or medium enterprise (SME) or a middle-standing enterprise (MSE) for investments made in certain assets, such as business assets, facilities for the point-of-sale data management system, and facilities used in the information protection system.¹⁰³ To receive benefits from this program, the applicant must submit an

⁹⁴ See SeAH Steel Initial Response at Volume I, Appendix 18-A.

⁹⁵ See GOK Initial Response at 300.

⁹⁶ *Id.*

⁹⁷ See GOK Supplemental Response at 18.

⁹⁸ See GOK Initial Response at 301.

⁹⁹ See, e.g., *Welded Pipe from Korea INV* IDM at 35.

¹⁰⁰ See GOK Initial Response at 28; and GOK Supplemental Response at 4.

¹⁰¹ See SeAH Steel Preliminary Calculation Memorandum.

¹⁰² See Hyundai RB Initial Response at III-57.

¹⁰³ See GOK Initial Response at 155.

application to the district office of National Tax Service (NTS) and report its corporate tax base and tax amount.¹⁰⁴ If the applicant meets the eligibility criteria by making an investment in any of the areas listed above, an amount equivalent to 3/100 of the investment is deducted from the applicant's corporate tax.¹⁰⁵ The tax reduction is administered by the NTS under the direction of the Ministry of Economy and Finance (MOEF).¹⁰⁶

We preliminarily determine that this program results in a financial contribution from the GOK to the recipients in the form of revenue forgone, as described in section 771(5)(D)(ii) of the Act. We further preliminarily find this program *de facto* specific within the meaning of section 771(5A)(D)(iii)(I) of the Act because the actual recipients of the subsidy for RSTA Article 10(1)(3) were limited in number. Specifically, there were only 3,790 recipients out of 740,215 corporate taxpayers during 2018.¹⁰⁷

The benefit conferred on the recipient is the difference between the amount of taxes it paid and the amount of taxes that it would have paid in the absence of this program, as contemplated by section 771(5)(E) of the Act and as described in 19 CFR 351.509(a). To calculate the net subsidy rate, we divided the total benefit reported by Hyundai RB by the appropriate sales denominator, consistent with the "Attribution of Subsidies" section above. On this basis, we preliminarily find that Hyundai RB received a net countervailable subsidy at a rate of 0.03 percent *ad valorem*.¹⁰⁸

4. RSTA Article 10

Hyundai RB, SeAH Steel and SeAH ESAB reported receiving tax credits under RSTA Article 10 during the POR.¹⁰⁹ Under this program, the GOK provides tax credits for Korean corporations to invest in research and development (R&D) activities.¹¹⁰ The program, which exists under RSTA Article 10(1)(3), raises the tax deduction rate for R&D expenditures to 25 percent, and to 50 percent for SMEs.¹¹¹ The tax credits are administered by the NTS under the direction of the MOEF.¹¹²

We preliminarily determine that this program results in a financial contribution from the GOK to the recipients in the form of revenue forgone, as described in section 771(5)(D)(ii) of the Act. We further preliminarily find this program *de facto* specific within the meaning of section 771(5A)(D)(iii)(I) of the Act because the actual recipients of the subsidy for RSTA Article 10(1)(3) were limited in number. Specifically, there were only 232 recipients out of 740,215 corporate taxpayers and 197 recipients out of 787,438 corporate taxpayers during 2018 and 2019,

¹⁰⁴ *Id.* at 161.

¹⁰⁵ *Id.*

¹⁰⁶ *Id.* at 155.

¹⁰⁷ *Id.* at 166. The GOK stated that the number of companies approved for assistance in 2019 was not yet available.

¹⁰⁸ See Hyundai RB Preliminary Calculation Memorandum.

¹⁰⁹ See Hyundai RB Initial Response at III-45; and SeAH Steel Initial Response at Volume I, Appendix 10-A and Volume IV, Appendix ESAB-8-A.

¹¹⁰ See GOK Initial Response at 77.

¹¹¹ *Id.* at 80.

¹¹² *Id.* at 77.

respectively.¹¹³ Commerce previously determined that this program was countervailable in *CTL Plate from Korea*.¹¹⁴

The benefit conferred on the recipient is the difference between the amount of taxes it paid and the amount of taxes that it would have paid in the absence of this program, as contemplated by section 771(5)(E) of the Act and as described in 19 CFR 351.509(a). To calculate the net subsidy rate, we divided the total benefit reported by Hyundai RB, SeAH Steel, and SeAH ESAB by the appropriate sales denominator, consistent with the “Attribution of Subsidies” section above. On this basis, we preliminarily determine that the calculation of the benefit for SeAH Steel resulted in a net countervailable subsidy rate that is less than 0.005 percent.¹¹⁵ We also preliminarily determine that Hyundai RB received a net countervailable subsidy at a rate of 0.03 percent *ad valorem*.¹¹⁶

5. RSTA Article 25(1)(6) (formerly RSTA Article 24)

SeAH Steel, SeAH Holdings, and SeAH ESAB reported receiving benefits under RSTA Article 25(1)(6) during the POR.¹¹⁷ RSTA Article 25(1)(6) provides tax credits to Korean enterprises for investments made during the business year ending on December 31, 2019, in facilities and high technology equipment that enhance productivity.¹¹⁸ The GOK also stated that RSTA Article 25(1)(6) replaced RSTA Article 24 in December 2018.¹¹⁹ The tax deduction amount received by companies is determined based on company size.¹²⁰ The MOEF maintains the program, while the NTS enforces it.¹²¹

We preliminarily determine that tax deductions are a financial contribution from the GOK to recipients in the form of revenue forgone under section 771(5)(D)(ii) of the Act. We also preliminarily determine that this program is *de facto* specific under section 771(5A)(D)(iii)(I) of the Act, as the actual recipients of the subsidy were limited in number. Specifically, there were only 927 recipients out of 740,215 corporate taxpayers and 1,110 recipients out of 787,438 corporate taxpayers in 2018 and 2019, respectively.¹²² Commerce previously determined RSTA Article 24 was countervailable in *NOES from Korea*.¹²³

¹¹³ See GOK Initial Response at 87; and GOK Supplemental Response at 2.

¹¹⁴ See *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 Preliminary Decision Memorandum (PDM) at 19-20, unchanged in *Certain Carbon and Alloy Steel Cut-To-Length Plate Final Affirmative Countervailing Duty Determination and Final Negative Critical Circumstances Determination*, 82 FR 16341 (April 4, 2017) (*CTL Plate from Korea*).

¹¹⁵ See SeAH Steel Preliminary Calculation Memorandum.

¹¹⁶ See Hyundai RB Preliminary Calculation Memorandum.

¹¹⁷ See SeAH Steel Initial Response at Appendix 13-A.

¹¹⁸ See GOK Supplemental Response at 21.

¹¹⁹ *Id.*

¹²⁰ *Id.* at 24.

¹²¹ *Id.* at 25.

¹²² *Id.* at 31.

¹²³ See *Non-Oriented Electrical Steel from the Republic of Korea: Final Negative Countervailing Duty Determination and Final Negative Critical Circumstance Determination*, 79 FR 61605 (October 14, 2014) (*NOES from Korea*), and accompanying IDM at 14-15.

The benefit conferred on the recipient is the difference between the amount of taxes it paid and the amount of taxes that it would have paid in the absence of this program, as contemplated by section 771(5)(E) of the Act and as described in 19 CFR 351.509(a). To calculate the net subsidy rate, we divided the total benefit reported by SeAH Steel, SeAH Holdings, and SeAH ESAB by the appropriate sales denominator, consistent with the “Attribution of Subsidies” section above. On this basis, we preliminarily determine that SeAH Steel received a net countervailable subsidy at a rate of 0.02 percent *ad valorem*.¹²⁴

6. Restriction of Special Local Taxation Act (RSLTA) Article 57(2)

SeAH Steel reported receiving benefits under RSLTA Article 57(2) during the POR.¹²⁵ RSLTA Article 57(2), effective as of January 1, 2015, provides an exemption from local acquisition taxes for corporate properties that are acquired through mergers no later than December 31, 2021.¹²⁶ While the Ministry of Interior and Safety is responsible for this program, the local governments are responsible for enforcing local acquisition taxes and administering the exemptions.¹²⁷ Taxpayers receive an exemption of 85 percent of the acquisition tax for property for which the acquisition tax exceeds the two million KRW, and an exemption of 100 percent of the acquisition tax for property for which the acquisition tax does not exceed the two million KRW.¹²⁸ The GOK also stated that under the Local Tax Act Articles 150-151, a 20 percent local education tax is levied on the amount of the acquisition tax due.¹²⁹ Therefore, any exemption from property tax automatically results in a reduction in the education tax due.

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 under section 771(5)(E) of the Act and 19 CFR 351.509(a). We also preliminarily determine that this program is *de facto* specific under section 771(5A)(D)(iii)(I) of the Act, as the actual recipients of the subsidy were limited in number. Specifically, there were only 8,692 recipients out of 740,215 corporate taxpayers and 7,167 recipients out of 787,438 corporate taxpayers in 2018 and 2019, respectively.¹³⁰

SeAH Steel reported its tax benefits including the required Special Rural Development Tax that must be paid in order to receive the acquisition tax benefit, claiming the payment of the Special Rural Development Tax as an offset in its benefit calculations.¹³¹ However, we previously found that the “Special Rural Development Tax” does not meet the statutory requirement to be recognized as an offset.¹³² Specifically, we stated that:

¹²⁴ See SeAH Steel Preliminary Calculation Memorandum.

¹²⁵ See SeAH Steel Initial Response at Volume I, Appendix 17-A.

¹²⁶ See GOK Initial Response at 196 and Exhibit LX-3.

¹²⁷ *Id.*

¹²⁸ See SeAH Steel Supplemental Response at 29.

¹²⁹ See GOK Supplemental Response at 14.

¹³⁰ *Id.* at 2; see also GOK Initial Response at 205.

¹³¹ See SeAH Steel Initial Response at Appendix 17-D.

¹³² See *Large Residential Washers from the Republic of Korea: Final Affirmative Countervailing Duty Determination*, 77 FR 75975 (December 26, 2012) (*Large Residential Washers from Korea*), and accompanying IDM at 16 and Comment 10.

The application of the Special Rural Development Tax is a consequence of the exemption of acquisition or registration taxes; the Special Rural Development Tax obligation arises only when the exemption is granted. It is not a prerequisite to the exemption the way an application fee might be. Furthermore, as provided in 19 CFR 351.503(e), when calculating the amount of the benefit conferred from a countervailable subsidy program, the Department does not consider the tax consequences of the benefit.¹³³

Accordingly, we calculated the tax benefits to SeAH Steel without including the offset for the “Special Rural Development Tax.” To calculate the benefit, we subtracted the amount of taxes paid by SeAH Steel from the amounts that would have been paid absent the program. To calculate the net subsidy rate, we divided the total benefit by the appropriate sales denominator, consistent with the “Attribution of Subsidies” section above. On this basis, we preliminarily determine that SeAH Steel received a net countervailable subsidy at a rate of 0.68 percent *ad valorem*.¹³⁴

7. Acquisition and Property Tax Benefits to Companies in Industrial Complexes (RSLTA Article 78)

Hyundai RB and SeAH Steel reported receiving benefits under RSLTA Article 78(4) during the POR.¹³⁵ Commerce previously determined that this program was countervailable¹³⁶ in *Welded Pipe from Korea INV*.¹³⁷

RSLTA 78(4) provides acquisition and property tax exemptions available to real estate purchases acquired in an industrial complex to construct or expand industrial buildings.¹³⁸ We note that properties purchased outside Seoul prior to 2015 qualified for a 100 percent property tax exemption, while properties purchased outside Seoul during and after 2015 qualified for a 75 percent property tax exemption.¹³⁹ There were no changes to the 50 percent acquisition tax exemption during this period.¹⁴⁰ The GOK also stated that under the Local Tax Act Article 151, a 20 percent local education tax is levied on the amount of the property tax due.¹⁴¹ Therefore, any exemption from property tax automatically results in a reduction in the education tax due.

The GOK confirmed that there were no changes to the program during the POR.¹⁴² We preliminarily determine that the tax reductions constitute a financial contribution in the form of

¹³³ *Id.*

¹³⁴ See SeAH Steel Preliminary Calculation Memorandum.

¹³⁵ See Hyundai RB Initial Response at III-30; and SeAH Steel Initial Response at Volume I, Appendix 11-A.

¹³⁶ Commerce’s practice, as affirmed by the United States Court of Appeals for the Federal Circuit, is to not revisit financial contribution and specificity determinations made in a prior segment of the same proceeding, absent the presentation of new facts or evidence. See *Magnola Metallurgy*.

¹³⁷ See *Welded Pipe from Korea INV* IDM at 14.

¹³⁸ See GOK Initial Response at 52 and 54.

¹³⁹ See SeAH Steel Supplemental Response at 19.

¹⁴⁰ See GOK Supplemental Response at 12.

¹⁴¹ *Id.* at 14.

¹⁴² See GOK Initial Response at 6.

revenue forgone, as described under section 771(5)(D)(ii) of the Act, and a benefit under section 771(5)(E) of the Act and 19 CFR 351.509(a). We further preliminarily determine that the tax exemptions provided under this program are specific under section 771(5A)(D)(iv) of the Act because the benefits are limited to enterprises located within designated geographical regions within their respective jurisdictions. The benefit conferred on the recipient is the difference between the amount of taxes it paid and the amount of taxes that it would have paid in the absence of this program, as contemplated by section 771(5)(E) of the Act and as described in 19 CFR 351.509(a).

Hyundai RB reported its tax benefits including the required Special Rural Development Tax that must be paid in order to receive the acquisition tax benefit, claiming the payment of the Special Rural Development Tax as an offset in its benefit calculations.¹⁴³ However, we previously found that the “Special Rural Development Tax” does not meet the statutory requirement to be recognized as an offset.¹⁴⁴ Accordingly, we calculated the tax benefits to Hyundai RB without including the offset for the “Special Rural Development Tax.”

To calculate the benefit, we subtracted the amount of taxes paid by Hyundai RB and SeAH Steel from the amounts that would have been paid absent the program. To calculate the net subsidy rate, we divided the total benefit by the appropriate sales denominator, consistent with the “Attribution of Subsidies” section above. On this basis, we preliminarily determine that the calculation of the benefit for SeAH Steel resulted in a net countervailable subsidy rate that is less than 0.005 percent.¹⁴⁵ We also preliminarily determine that Hyundai RB received a net countervailable subsidy at a rate of 0.37 percent *ad valorem*.¹⁴⁶

8. Busan Investment Promotional Fund

Hyundai RB reported receiving benefits from the Busan Investment Promotional Fund during the POR.¹⁴⁷ This program was established in 2012 through the *Busan Metropolitan City Investment Promotion Fund Ordinance*, which has since been replaced by the *Busan Metropolitan City Ordinance for Attracting Corporations and Investments*. It is operated by the Busan Metropolitan City government, for the purpose of attracting investment from domestic and foreign companies outside the Busan area.¹⁴⁸ A company wishing to participate in the program submits an application to the Mayor of Busan, and the Review Committee, which includes city officials, reviews the applications in accordance with various criteria, such as: the type of investment, the size of the investment and whether the applicant has previously received a grant under the same program. Upon approval, the applicant is given 70 percent of the funds under the agreement and a time frame set out in the application by which the investment plans must be implemented. If the city of Busan determines the plans have been implemented within the

¹⁴³ See Hyundai RB Initial Response at III-31.

¹⁴⁴ See *Large Residential Washers from Korea* IDM at 16 and Comment 10; see also *Large Diameter Welded Pipe from the Republic of Korea: Preliminary Affirmative Countervailing Duty Determination and Alignment of Final Determination with Final Antidumping Duty Determination*, 83 FR 30693 (June 29, 2018), and accompanying PDM at 21-22, unchanged in *Welded Pipe from Korea INV*.

¹⁴⁵ See SeAH Steel Preliminary Calculation Memorandum.

¹⁴⁶ See Hyundai RB Preliminary Calculation Memorandum.

¹⁴⁷ See Hyundai RB Initial Response at III-64.

¹⁴⁸ See GOK Initial Response at 212-213.

meaning of the company's obligations under the investment plan, the remaining 30 percent of the grant will be disbursed to the company.¹⁴⁹

The GOK reports that only 12 and 8 companies received assistance in this program during 2018 and 2019, respectively.¹⁵⁰ Accordingly, we preliminarily find that this program is *de facto* specific within the meaning of section 771(5A)(D)(iii)(I) of the Act because the actual recipients of the subsidy were limited in number. We also preliminarily find that a financial contribution exists in the form of a direct transfer of funds within the meaning of section 771(5)(D)(i) of the Act. Finally, we preliminarily find that the funds received by Hyundai RB constitute a benefit within the meaning of section 771(5)(E) of the Act.

To calculate the net subsidy rate, we divided the total benefit by the appropriate sales denominator, consistent with the "Attribution of Subsidies" section above. Accordingly, we preliminarily find that Hyundai RB received a net countervailable subsidy rate of 1.30 percent *ad valorem*.¹⁵¹

9. Smart Factory Construction and Advancement Project

Hyundai RB reported receiving benefits under the Smart Factory Construction and Advancement Project during the POR.¹⁵² The program was created in 2013 and is regulated by the *Smart Factory Construction and Advancement Project Management Guidelines*.¹⁵³ The agency responsible for the program is the Ministry of SMEs and Startups (MSS), but it is administered by the Korea Smart Manufacturing Office (KSMO).¹⁵⁴ The program assists SMEs and MSEs in their construction or upgrading of smart factories. The program uses grant funds to support businesses, with the goal of improving product design and production processes.¹⁵⁵ Those SMEs and MSEs seeking to build or upgrade smart factories are eligible for the program and, under the program, receive up to 50 percent of the total cost for constructing or upgrading smart factories.¹⁵⁶

In 2019, only 3,843 SMEs and MSEs received grant funds under this program.¹⁵⁷ Accordingly, we preliminarily find that the actual recipients under this program are limited in number and therefore the program is *de facto* specific within the meaning of section 771(5A)(D)(iii)(I) of the Act. Additionally, we also preliminarily find that a financial contribution exists in the form of a direct transfer of funds within the meaning of section 771(5)(D)(i) of the Act. Finally, we preliminarily find that the funds received by Hyundai RB constitute a benefit within the meaning of section 771(5)(E) of the Act.

¹⁴⁹ *Id.* at 215.

¹⁵⁰ See GOK Supplemental Response at 3.

¹⁵¹ See Hyundai RB Preliminary Calculation Memorandum.

¹⁵² See Hyundai RB Initial Response at III-71.

¹⁵³ See GOK Initial Response at 224.

¹⁵⁴ *Id.*

¹⁵⁵ *Id.*

¹⁵⁶ *Id.* at 228.

¹⁵⁷ See GOK Supplemental Response at 3.

To calculate the net subsidy rate, we divided the total benefit by the appropriate sales denominator, consistent with the “Attribution of Subsidies” section above. Accordingly, we preliminarily find that Hyundai RB received a net countervailable subsidy rate of 0.06 percent *ad valorem*.¹⁵⁸

10. 2018 Ulsan Industrial Diversification Support Program

Hyundai RB reported receiving benefits under the 2018 Ulsan Industrial Diversification Support program during the POR.¹⁵⁹ The program was established on June 14, 2018, and the responsible agencies for the program are the Ulsan Metropolitan City and the Ulsan Technopark.¹⁶⁰ This program provides grants to support technological advancement and commercialization of products.¹⁶¹ Additionally, the GOK notes that while enterprises may receive up to KRW 50 million in grants, they are required to match at least 10 percent or more of the grant amount with their own investments.¹⁶² Companies applying for this program must also be in an industry related to the shipbuilding.¹⁶³ Interested companies must submit an application to the Ulsan Technopark, which reviews the application and carries out on-site investigations in order to determine the eligibility of the applicant. After the recipients of the program are selected, each applicant is matched with a consulting firm that provides support in implementing the proposed project.¹⁶⁴

The GOK reports that only 22 companies received assistance in this program in 2018.¹⁶⁵ Accordingly, we preliminarily find that this program is *de facto* specific within the meaning of section 771(5A)(D)(iii)(I) of the Act. We also preliminarily find that a financial contribution exists in the form of a direct transfer of funds within the meaning of section 771(5)(D)(i) of the Act. Finally, we preliminarily find that the funds received by Hyundai RB constitute a benefit within the meaning of section 771(5)(E) of the Act.

To calculate the net subsidy rate, we divided the total benefit by the appropriate sales denominator, consistent with the “Attribution of Subsidies” section above. Accordingly, we preliminarily find that Hyundai RB received a net countervailable subsidy rate of 0.03 percent *ad valorem*.¹⁶⁶

11. Welcome to Industrial Complex Employment Incentive Support Project

Hyundai RB reported receiving benefits under the Welcome to Industrial Complex Employment Incentive Support Project program during the POR.¹⁶⁷ The GOK reports that the goal of this program is to help increase employment levels, particularly for workers who have struggled to

¹⁵⁸ See Hyundai RB Preliminary Calculation Memorandum.

¹⁵⁹ See Hyundai RB Initial Response at III-76.

¹⁶⁰ See GOK Initial Response at 236.

¹⁶¹ *Id.*

¹⁶² *Id.*

¹⁶³ *Id.* at 241.

¹⁶⁴ *Id.* at 239.

¹⁶⁵ See GOK Supplemental Response at 3.

¹⁶⁶ See Hyundai RB Preliminary Calculation Memorandum.

¹⁶⁷ See Hyundai RB Initial Response at III-87.

find work after the rise in minimum wage levels in 2018 and 2019.¹⁶⁸ Specifically, SMEs that hire new workers (aged 15 to 64) may apply to receive grant funds up to 2 million KRW per employee hired to help pay their salary for the first five months of their employment.¹⁶⁹ The Ulsan Regional Headquarters of the Korea Industrial Complex Corporation (KICOX) is the responsible agency for managing and administering this program under the Ulsan Metropolitan City government.¹⁷⁰ After an employer submits an application form and hires a new employee, KICOX will confirm that the applicant has actually hired a new employee and that the new employee has been receiving wages over the minimum wage level. If the criteria have been satisfied, KICOX automatically provides grant assistance to the company.¹⁷¹

The GOK reports that this program is limited to SMEs located in industrial complexes in the Ulsan area.¹⁷² Accordingly, we preliminarily find that this program is specific within the meaning of section 771(5A)(D)(iv) of the Act. We also preliminarily find that a financial contribution exists in the form of a direct transfer of funds within the meaning of section 771(5)(D)(i) of the Act. Finally, we preliminarily find that the funds received by Hyundai RB constitute a benefit within the meaning of section 771(5)(E) of the Act.

To calculate the net subsidy rate, we divided the total benefit by the appropriate sales denominator, consistent with the “Attribution of Subsidies” section above. Accordingly, we preliminarily find that Hyundai RB received a net countervailable subsidy rate of 0.01 percent *ad valorem*.¹⁷³

12. Labor-Management Partnership Program Support Project

Hyundai RB reported receiving benefits under the Labor-Management Partnership Program Support Project during the POR.¹⁷⁴ The Ministry of Employment and Labor (MOEL) regulates this program, and the Labor and Management Development Foundation (LMDF) administers the program on behalf of the MOEL.¹⁷⁵ Established in 2010 and based on Article 6 (Support for Operation of the Labor-Management Improvement Foundation) of the Act on Support for the Improvement in Labor-Management Relations, the purpose of this program is to support cooperative relationships between labor and management by supporting joint projects carried out by both, with the goal of reducing undesirable practices at the workplace.¹⁷⁶ Parties, consisting of both management and labor, interested in participating in the program must provide a business plan to the MOEL. The business plans are evaluated by a review committee, composed of representatives of the interested parties, the academia/experts, and the GOK, that then decides which projects to pursue funding. With the approval of the review committee and the MOEL,

¹⁶⁸ See GOK Initial Response at 247.

¹⁶⁹ *Id.*

¹⁷⁰ *Id.*

¹⁷¹ *Id.* at 250.

¹⁷² *Id.* at 251.

¹⁷³ See Hyundai RB Preliminary Calculation Memorandum.

¹⁷⁴ See Hyundai RB Initial Response at III-101.

¹⁷⁵ See GOK Initial Response at 259.

¹⁷⁶ *Id.*

the LMDF enters into an agreement with the approved party and provides grant funding for the proposed labor-management partnership project of the applying party.¹⁷⁷

The GOK reports that only 119 and 117 companies received assistance in this program in 2018 and 2019, respectively.¹⁷⁸ Accordingly, we preliminarily find this program to be *de facto* specific within the meaning of section 771(5A)(D)(iii)(I) of the Act because the actual recipients of the subsidy were limited in number. We also preliminarily find that a financial contribution exists in the form of a direct transfer of funds within the meaning of section 771(5)(D)(i) of the Act. Finally, we preliminarily find that the funds received by Hyundai RB constitute a benefit within the meaning of section 771(5)(E) of the Act.

To calculate the net subsidy rate, we divided the total benefit by the appropriate sales denominator, consistent with the “Attribution of Subsidies” section above. Accordingly, we preliminarily find that Hyundai RB received a net countervailable subsidy rate of 0.02 percent *ad valorem*.¹⁷⁹

13. Korea Laboratory Accreditation Scheme (KOLAS) Standard Certification Program

Hyundai RB reported receiving benefits under the KOLAS Standard Certification Program during the POR.¹⁸⁰ The program is designed to assist companies in acquiring KOLAS certification and to secure the trust and reliability of SMEs in the field of shipbuilding.¹⁸¹ The Ulsan Metropolitan City is responsible for the program, and the Korea Testing & Research Institute (KTR) administers the program pursuant to public announcements each year.¹⁸² The program is open to SMEs and MSEs in the Ulsan Metropolitan area.¹⁸³ An interested company submits an application to the KTR. The KTR then reviews the application in accordance with the relevant criteria, including the company’s potentials in generating sales or employment.¹⁸⁴ After review, the KTR approves the application and enters into an agreement with the company to partially reimburse the costs of acquiring KOLAS standard certification.¹⁸⁵ The amount of assistance an approved applicant receives is 40 percent of the required expenses for acquiring the KOLAS certification, up to a maximum of 30,000,000 KRW.¹⁸⁶

The GOK reports that only 44 and 36 companies received assistance in this program in 2018 and 2019, respectively.¹⁸⁷ Accordingly, we preliminarily find that this program is *de facto* specific within the meaning of section 771(5A)(D)(iii)(I) of the Act because the actual recipients of the subsidy were limited in number. We also preliminarily find that a financial contribution exists in the form of a direct transfer of funds within the meaning of section 771(5)(D)(i) of the Act.

¹⁷⁷ *Id.* at 263.

¹⁷⁸ See GOK Supplemental Response at 3.

¹⁷⁹ See Hyundai RB Preliminarily Calculation Memorandum.

¹⁸⁰ See Hyundai RB Initial Response at III-126.

¹⁸¹ See GOK Initial Response at 357.

¹⁸² *Id.*

¹⁸³ *Id.* at 361.

¹⁸⁴ *Id.* at 360.

¹⁸⁵ *Id.* at 360-361.

¹⁸⁶ *Id.* at 361.

¹⁸⁷ See GOK Supplemental Response at 4.

Finally, we preliminarily find that the funds received by Hyundai RB constitute a benefit within the meaning of section 771(5)(E) of the Act.

To calculate the net subsidy rate, we divided the total benefit by the appropriate sales denominator, consistent with the “Attribution of Subsidies” section above. Accordingly, we preliminarily find that Hyundai RB received a net countervailable subsidy rate of 0.03 percent *ad valorem*.¹⁸⁸

14. Production Environment Innovation Technology Development Project

Hyundai RB reported receiving benefits under this program during the AUL.¹⁸⁹ The GOK reports that this program was designed to support the development of process innovation equipment that eliminates job avoidance factors such as poor working environment, labor intensity, and hazardous factors in SME production sites. The program was ended in 2010.¹⁹⁰ The program was regulated by the MSS but administered by the Korea Technology and Information Promotion Agency for SMEs (TIPA) on behalf of the MSS.¹⁹¹ SME manufacturers seeking to eliminate job avoidance factors were eligible to participate and, if interested, would submit an application to the TIPA. The application was then evaluated by the Reviewing Committee in accordance with the criteria set out by the relevant regulations. Based on the decision made by the Reviewing Committee, TIPA approves the application in accordance with the Committee’s decision and enters into an agreement with the applicant to partially reimburse its project costs.¹⁹² The maximum grant allowance under the program was 150,000,000 KRW.¹⁹³

The GOK reports that only 210 companies received assistance in this program in 2007, the year Hyundai RB was approved for funding under this program.¹⁹⁴ Accordingly, we preliminarily find that this program is *de facto* specific within the meaning of section 771(5A)(D)(iii)(I) of the Act because the actual recipients of the subsidy were limited in number. We also preliminarily find that a financial contribution exists in the form of a direct transfer of funds within the meaning of section 771(5)(D)(i) of the Act. Finally, we preliminarily find that the funds received by Hyundai RB constitute a benefit within the meaning of section 771(5)(E) of the Act.

As mentioned in the “Attribution of Subsidies” section above, we preliminarily find that subsidies received by (former) Hyundai RB potentially provide allocable benefits to Hyundai RB during the POR. This program was used in the AUL by (former) Hyundai RB. To calculate the net subsidy rate, we first applied the “0.5 percent test,” as described in 19 CFR 351.524(b)(2). Under this test, we divided the amount approved under the program in the year of approval by the relevant sales value (*e.g.*, total sales or export sales) for that same year. Hyundai RB reported that, due to (former) Hyundai RB being liquidated with the completion of the merger, it does not have complete accounting records documenting (former) Hyundai RB’s sales for years

¹⁸⁸ See Hyundai RB Preliminary Calculation Memorandum.

¹⁸⁹ See Hyundai RB Initial Response at III-108.

¹⁹⁰ See GOK Initial Response at 342.

¹⁹¹ *Id.*

¹⁹² *Id.* at 347.

¹⁹³ *Id.*

¹⁹⁴ See GOK Supplemental Response at 4.

that are in the AUL but prior to the date of the merger.¹⁹⁵ Hyundai RB provided to Commerce a 2008 Audited Report of Hyundai RB that included financial statements from 2007 and 2008.¹⁹⁶ In lieu of a total sales value for (former) Hyundai RB in 2007, the year of approval for this program, we have relied on (former) Hyundai RB's total revenue from 2007 as stated in the audited reported. Using this value as the total sales in the year of approval, the approved subsidy amount passed the 0.5 percent threshold. Accordingly, we allocated the benefit of this program over the AUL, starting from the year of approval, to determine the allocable benefit Hyundai RB received from this program during the POR. Accordingly, we preliminarily find that Hyundai RB received a net countervailable subsidy rate of 0.01 percent *ad valorem*.¹⁹⁷

15. Small and Medium Enterprise Technology Innovation Development Project

Hyundai RB reported that (former) Hyundai RB reported receiving benefits under this program during the AUL.¹⁹⁸ The GOK reported that the purpose of this program is to promote the innovation of technology and improvement of technological capabilities for SMEs by providing partial assistance for the costs of successful research.¹⁹⁹ It was established in 2003 by the *Public Notice for Applications for the Small and Medium Enterprise Technology Innovation Development Project* and the *Guideline on the Maintenance of Small and Medium Enterprise Technology Innovation Development Projects* and is administered by the MSS.²⁰⁰ An interested company submits an application to the MSS as a business plan. Once reviewed by the reviewing committee established by the *Guideline on the Maintenance of Small and Medium Enterprise Technology Innovation Development Projects*, the applicant is approved for grant funding.²⁰¹ The amount of assistance provided is determined by the relevant regulations governing the program.²⁰²

The GOK reports that only 2,134 companies received assistance in this program in 2007, the year Hyundai RB was approved for funding under this program.²⁰³ Accordingly, we preliminarily find that this program is *de facto* specific within the meaning of section 771(5A)(D)(iii)(I) of the Act because the actual recipients of the subsidy were limited in number. We also preliminarily find that a financial contribution exists in the form of a direct transfer of funds within the meaning of section 771(5)(D)(i) of the Act. Finally, we preliminarily find that the funds received by Hyundai RB constitute a benefit within the meaning of section 771(5)(E) of the Act.

As mentioned in the "Attribution of Subsidies" section above, we preliminarily find that subsidies received by (former) Hyundai RB potentially provide allocable benefits to Hyundai RB during the POR. This program was used in the AUL by (former) Hyundai RB. To calculate the net subsidy rate, we first applied the "0.5 percent test," as described in 19 CFR 351.524(b)(2).

¹⁹⁵ See Hyundai RB Initial Response at III-11.

¹⁹⁶ *Id.* at Exhibit II.C.2.

¹⁹⁷ See Hyundai RB Preliminary Calculation Memorandum.

¹⁹⁸ See Hyundai RB Initial Response at III-114.

¹⁹⁹ See GOK Supplemental Response at 51.

²⁰⁰ *Id.*

²⁰¹ *Id.* at 54.

²⁰² *Id.* at 55.

²⁰³ *Id.* at 57.

Under this test, we divided the amount approved under the program in the year of approval by the relevant sales value (*e.g.*, total sales or export sales) for that same year. Hyundai RB reported that, due to (former) Hyundai RB being liquidated with the completion of the merger, it does not have complete accounting records documenting (former) Hyundai RB's sales for years that are in the AUL but prior to the date of the merger.²⁰⁴ Hyundai RB provided to Commerce a 2008 Audited Report of Hyundai RB that included financial statements from 2007 and 2008.²⁰⁵ In lieu of a total sales value for (former) Hyundai RB in 2007, the year of approval for this program, we have relied on (former) Hyundai RB's total revenue from 2007 as stated in the audited report. Using this value as the total sales in the year of approval, the approved subsidy amount passed the 0.5 percent threshold. Thus, we allocated the benefit of this program over the AUL, starting from the year of approval, to determine the allocable benefit Hyundai RB received from this program during the POR. Accordingly, we preliminarily find that Hyundai RB received a net countervailable subsidy rate of 0.01 percent *ad valorem*.²⁰⁶

B. Programs Preliminarily Determined Not to Have Conferred a Measurable Benefit or Not to Have Conferred a Benefit During the POR

1. Provision of Electricity for Less than Adequate Remuneration (LTAR)

Overview of the Korean Electricity Market

In 2001, the GOK reformed its laws and introduced an electricity market with three distinct areas of operation: electricity generation companies, electricity market operators, and the transmission/distribution/selling of electricity to end users.²⁰⁷

Electricity Generators

The electricity generators of Korea consist of KEPCO's six wholly-owned subsidiary generators (GENCOs),²⁰⁸ independent power generation companies, and community energy systems.²⁰⁹ The community energy systems are private generating companies that generate, transmit, and distribute electricity to small communities.²¹⁰ These private generating companies charge KEPCO's tariff rates to their customers.²¹¹ Finally, KEPCO continues to generate electricity for remote and isolated islands for which there is no commercial generation company.²¹²

²⁰⁴ See Hyundai RB Initial Response at III-11.

²⁰⁵ *Id.* at Exhibit II.C.2.

²⁰⁶ See Hyundai RB Preliminarily Calculation Memorandum.

²⁰⁷ See GOK NSA Response at 23.

²⁰⁸ *Id.* at 3 (The six companies are: Korea Hydro & Nuclear Power Co., Korea South-East Power Co., Korea Midland Power Co., Korea Western Power Co., Korea Southern Power Co., and Korea East-West Power Co.) and 4 (KEPCO's power generation department was spun off through the Promotion of the Restructuring of the Electricity Business Act in 2001).

²⁰⁹ *Id.* at 3-4.

²¹⁰ *Id.* at 4.

²¹¹ *Id.*

²¹² *Id.*

Electricity Market Operator – KPX

KPX was established under the Electricity Business Law and is responsible for setting the price of electricity, overseeing the electricity trading, and collecting relevant data for the electricity market in Korea.²¹³ Except for the community energy systems and KEPCO's two long-term purchase agreements prior to 2001, all purchasing and selling of electricity is required to be done through KPX.²¹⁴

The electricity market works on a cost-based pool system. The system has two main components: the marginal (representing the variable costs) and capacity (representing the fixed costs) prices.²¹⁵ For the marginal price, electricity is sold on an hourly basis. One day prior to trading, KPX will forecast the next day's hourly demand and projected supply based on the electricity generators' submitted bids for any given hour. Under the merit order system, the lowest generator's bid will receive a purchase order for its supply of electricity and the purchase orders will be issued to the next lowest bid until the supply for the given hour is met.²¹⁶ The price of the last bid will be the system marginal price and will be used to purchase all of the accepted electricity bids. The electricity generators who submitted bids and exceeded the system marginal price for the hour will not receive purchase orders to supply electricity for the hour.²¹⁷ For nuclear generators, coal-power generators, and GENCOs, an adjusted coefficient is also included in their KPX price for electricity.²¹⁸ The purpose of the adjusted coefficient is two-fold: to prevent over-payment to generators with low fuel costs (*e.g.*, nuclear and coal) and to maintain a differential between the expected rate of return between the GENCOs and KEPCO.²¹⁹

The purpose of the capacity price is to compensate the generation companies' fixed costs of constructing generation facilities, provide incentives for construction of new generation units, and maintain reliability of the nationwide electricity transmission network.²²⁰ The capacity price is set based on a standardized generation unit output, but also factors in the year the generation unit started operations and the capacity reserve factor.²²¹

Transmission/Distribution/Selling of Electricity – KEPCO

KEPCO is the exclusive supplier of electricity in Korea, except for the customers serviced by community energy systems, as explained above.²²² Moreover, under Article 31 of the Electricity Business Law, KEPCO can only purchase electricity through KPX, except for the two long-term purchase agreements noted above.²²³ Finally, the GOK submitted the underlying laws and

²¹³ *Id.* at 23.

²¹⁴ *Id.*

²¹⁵ *Id.*

²¹⁶ *Id.* at 23-24.

²¹⁷ *Id.*

²¹⁸ *Id.* 24-25.

²¹⁹ *Id.* at 25.

²²⁰ *Id.*

²²¹ *Id.*

²²² *Id.* at 4.

²²³ *Id.* at 3.

described the process for KEPCO to set the electricity tariff rates and provided the applicable tariff rates during the POR.²²⁴ The tariff rates were last updated in 2013 for industrial users.²²⁵

Analysis

The petitioner has alleged the provision of electricity for LTAR.²²⁶ KEPCO is the supplier of electricity to the respondents during the POR.²²⁷ KEPCO also wholly owns the six GENCOs and KPX.²²⁸ KEPCO is a statutory legal entity (separately incorporated) that is established and operated pursuant to the Korea Electric Power Corporation Act and its Enforcement Decree and the Electricity Business Law.²²⁹ Under Korean law, the GOK is required to own, directly or indirectly, at least fifty-one percent of KEPCO's capital, which allows the GOK to control the approval of corporate matters relating to KEPCO.²³⁰ The GOK also exercises significant control over KEPCO's business and operations.²³¹ Moreover, the GOK exercises significant control over KEPCO and pursues government policy objectives through KEPCO's business and operations.²³² Accordingly, we preliminarily find KEPCO to be an "authority" within the meaning of section 771(5)(B) of the Act, which provides producers of the subject merchandise a financial contribution in the form of the provision of a good or service under section 771(5)(D)(iii) of the Act.

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 is an exclusive provider of 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.²³³ As noted above, electricity is supplied directly to consumers through community electricity systems, but they use KEPCO's tariff rates.²³⁴ 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

²²⁴ *Id.* at 1-2 at Exhibit E-9.

²²⁵ *Id.* at 19.

²²⁶ *See* NSA Memorandum.

²²⁷ *See* Hyundai RB NSA Response at NSA-1; and SeAH Steel NSA Response at 2.

²²⁸ *Id.* at 26 and Exhibit E-1, page 35.

²²⁹ *See* GOK NSA Response 32.

²³⁰ *Id.* at Exhibit E-1, pages 30-32.

²³¹ *Id.*

²³² *Id.*

²³³ *Id.* at 5-7.

²³⁴ *Id.* at 4.

benchmark purposes. Therefore, we determine that a Tier 1 benchmark (a price within the country) is not available.²³⁵

The next alternative in the benchmark hierarchy is to use world market prices (Tier 2 benchmark). 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 or review. 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 or review.²³⁶ The GOK has stated that there is no cross-border transmission or distribution of electricity in Korea;²³⁷ 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 (Tier 3 benchmark).²³⁸ Because we are unable to use Tier 1 or Tier 2 benchmarks, we preliminarily determine to use a Tier 3 benchmark to examine whether the respondents have received a countervailable benefit 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 factors such as KEPCO's price-setting philosophy and costs (including rates of return sufficient to ensure future operations). In accordance with our past practice, we have not put these factors in any hierarchy and may rely on one or more of these factors in any particular case.²³⁹

²³⁵ See *CVD Preamble* at 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.").

²³⁶ *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.").

²³⁷ See GOK NSA Response at 5.

²³⁸ See *CVD Preamble*, 63 FR 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)).

²³⁹ *Id.*

With regard to our Tier 3 benchmark analysis, the GOK stated the applicable tariff schedule during the POR came into effect in November 2013.²⁴⁰ 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.²⁴¹ In our determinations, we noted the GOK had a pricing methodology in place and that it considered costs and a return on investment.²⁴² In this segment of the proceeding, the GOK has placed on the record application approval documents,²⁴³ cost information,²⁴⁴ and Commerce's electricity verification report from *CORE from Korea* associated with the November 2013 tariff schedule.²⁴⁵ Therefore, we preliminarily determine there are no changes from these prior findings to the 2013 tariff schedule and will examine these rates in the context of whether KEPCO recovered its cost (including rates of return sufficient to ensure future operations) for the POR.

KPX Prices

As noted above, KEPCO is required to purchase its electricity through KPX.²⁴⁶ These purchases of electricity are reflected in the company's operating costs and expenses.²⁴⁷ In recent U.S. Court of Appeals for the Federal Circuit (CAFC) decisions, the extent that KPX is a subsidiary of KEPCO and may provide a subsidy through its pricing to KEPCO has been reviewed and, in one instance, remanded.²⁴⁸ In recent administrative reviews, Commerce has examined KPX, in the context of an upstream subsidy allegation, to determine whether KPX's prices of the GENCOs' electricity to KEPCO is a provision of electricity for LTAR.²⁴⁹ Commerce evaluated the marginal and capacity price and the adjusted coefficient under a Tier 3 analysis and found there was no benefit.²⁵⁰ Moreover, in the *2019 Seamless Pipe Investigation*, the GOK placed the

²⁴⁰ See GOK NSA Response at 19.

²⁴¹ 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) (*CORE from Korea*), and accompanying IDM at Comment 2; and *Welded Line Pipe from the Republic of Korea: Final Negative Countervailing Duty Determination*, 80 FR 61365 (October 13, 2015), and accompanying IDM at Comment 1.

²⁴² *Id.*

²⁴³ See GOK NSA Response at Exhibits E-7, E-13-E-16.

²⁴⁴ *Id.* at Exhibit E-18.

²⁴⁵ *Id.* at Exhibit E-19.

²⁴⁶ *Id.* at 23 (except for two long-term electricity contracts in place prior to 2001).

²⁴⁷ *Id.* at 11-12.

²⁴⁸ See *Nucor Corp. v. United States*, 927 F.3d 1243, 1259 – 60 (Fed. Cir. 2019); and *POSCO v. United States*, 977 F.3d 1369, 1378 (Fed. Cir. 2020).

²⁴⁹ See *Certain Corrosion-Resistant Steel Products from the Republic of Korea: Final Results of Countervailing Duty Administrative Review; 2017*, 85 FR 15112 (March 17, 2020), and accompanying IDM at Comment 1; *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), and accompanying IDM at Comment 1; and *Certain Cut-to-Length Carbon-Quality Steel Plate from the Republic of Korea: Final Results of Countervailing Duty Administrative Review; Calendar Year 2018*, 85 FR 84296 (December 28, 2020), and accompanying IDM at Comment 7.

²⁵⁰ *Id.*

six GENCOs' financial statements on the record and we determined that each generating company recovered its costs in 2018 and 2019.²⁵¹ In this instant case, the GOK provided financial statements for the GENCOs and we continue to find preliminarily that each of the six GENCOs recovered its costs.²⁵² With regard to a rate of return, as stated above, the calculation of the system marginal price includes consideration of the GENCOs' and KEPCO's rate of return.²⁵³ As such, the price paid by KEPCO through KPX is inclusive of a rate of return. Thus, there is no information on this record that would have us revisit our prior findings concerning the price KEPCO pays for electricity through KPX.

KEPCO's Reported 2018-2019 Costs

According to Article 6 of the Price Stabilization Act and its Presidential Decree, all public utilities must be determined at the level that reconciles the aggregate costs for supplying such services.²⁵⁴ Moreover, Article 7 of the Enforcement Decree 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), state the tariff rate for each class must be set to cover the cost for the corresponding electricity class, which includes a reasonable amount of investment return.²⁵⁵ However, Article 14 of the Notification states the tariff rates can be adjusted after considering customers' economic circumstances and other societal factors.²⁵⁶ Therefore, each year, KEPCO will submit its cost and sales data to the Ministry of Trade, Industry and Energy (MOTIE).²⁵⁷

When KEPCO submits its cost and sales data to MOTIE, it reflects the operating costs and return on investment through the follow steps:

- Step 1. Calculate the aggregate amount of the cost, which includes a reasonable amount of the investment return;
- Step 2. Distribute the aggregate amount of the cost into four categories; generation,²⁵⁸ transmission, distribution and sales of electricity;
- Step 3. Divide the distribution cost into three categories; high voltage (over 22.9 kV), low voltage (less than 22.9 kV) and the customer management cost (CMC);
- Step 4. Divide the sales cost into two categories; the customer management fee and other costs;
- Step 5. Distribute each cost into fixed charge and variable charge;

²⁵¹ See *Seamless Carbon and Alloy Steel Standard, Line, and Pressure Pipe from the Republic of Korea: Final Affirmative Countervailing Duty Determination*, 86 FR 35267 (July 2, 2021) (2019 Seamless Pipe Investigation), and accompanying IDM at 9.

²⁵² See GOK 5th Supplemental Response at Exhibits 5SQRE-1 to 5SQRE-6.

²⁵³ See section "Electricity Market Operator – KPX" above; see also GOK 5th Supplemental Response at 1.

²⁵⁴ See GOK NSA Response at 8.

²⁵⁵ *Id.* at 9.

²⁵⁶ *Id.*

²⁵⁷ *Id.* at 3 and 8.

²⁵⁸ As noted above, KEPCO includes purchases of electricity in its operating costs and expenses. See GOK NSA Response at 12.

Step 6. Divide the cost into each class considering the load level, the electricity consumption pattern, and the amount of the electricity consumed;
 Step 7. Distribute the cost according to the number of customers for each {class};
 and
 Step 8. Aggregate the cost for each electricity class: $\Sigma \text{cost for each class (cost for the generation, transmission, distribution, sales of each class)} \div \text{sales volume for each class}$.²⁵⁹

The submitted cost data are also audited through KEPCO's financial statements each year.²⁶⁰ For 2018 and 2019, the GOK submitted KEPCO's audit of its 2018 and 2019 financial statements and tied the audited numbers to Exhibit E-17 (submitted 2019 cost data) of the GOK NSA Response and Exhibit 4SQRE-1 (submitted 2018 cost data) of the GOK Fourth Supplemental Response.²⁶¹

For return on capital (rate of return), the GOK provided the relevant regulation, formula, and calculation and tied each of the reported numbers in the formula to its financials or source documentation.²⁶² As noted in the steps above, the rate of return is inclusive of its reported costs to MOTIE.²⁶³ We examined the above process and were able to trace the costs and the rate of return to KEPCO's submitted cost data through to its recovered costs for each tariff classification as stated in GOK NSA Response at 9, 15-16 and Exhibit E-17.²⁶⁴

For 2018-2019, Hyundai RB and SeAH Steel provided electricity usage that included voltage, option, rates, and amount paid for the industrial classification.²⁶⁵ As noted above, KEPCO's cost data calculate a cost recovery rate based on the classifications set by the tariff schedule. We, therefore, compared the companies' reported industrial tariff rates to KEPCO's cost data. From this comparison, we noted that the respondents' reported industrial rates recovered costs and a rate of return.²⁶⁶ Therefore, we preliminarily determine that KEPCO does have a pricing mechanism in place that is based on market principles, and that the industrial rates that correspond to the respondents did recover costs and a rate of return under our Tier 3 analysis. As such, a measurable benefit does not exist for this program in this administrative review.

2. RSTA Article 11

SeAH ESAB reported that it used this program during the POR.²⁶⁷ To calculate the net subsidy rate, we divided the total benefit by the appropriate sales denominator, consistent with the

²⁵⁹ *Id.* at 11.

²⁶⁰ *Id.* at 8.

²⁶¹ See GOK 2nd Supplemental Response at 1; GOK 3rd Supplemental Response at 1-2; and GOK 4th Supplemental Response at 1-2 and 6.

²⁶² See GOK 2nd Supplemental Response at 1-9; GOK 3rd Supplemental Response at 6; and GOK 4th Supplemental Response at 6-10.

²⁶³ See GOK NSA Response at 9, 11-12, and 15-16.

²⁶⁴ See Memorandum, "Calculations for Preliminary Analysis Memorandum of Electricity for Less than Adequate Remuneration" dated concurrently with this memorandum (BPI Memorandum).

²⁶⁵ See Hyundai RB NSA Response at Exhibit NSA-1(a); see also SeAH Steel NSA Response at Exhibit NSA-2.

²⁶⁶ See BPI Memorandum.

²⁶⁷ See SeAH Steel Initial Response at Volume IV, Appendix ESAB-9-A.

“Attribution of Subsidies” section above. The calculation of the benefit resulted in a net countervailable subsidy rate that is less than 0.005 percent.²⁶⁸

3. RSTA Article 104-8(2)

Hyundai RB reported that it used this program during the POR.²⁶⁹ To calculate the net subsidy rate, we divided the total benefit by the appropriate sales denominator, consistent with the “Attribution of Subsidies” section above. The calculation of the benefit resulted in a net countervailable subsidy rate that is less than 0.005 percent.²⁷⁰

4. High Efficiency Inverter Program

SeAH Steel reported that it used this program during the POR.²⁷¹ To calculate the net subsidy rate, we divided the total benefit by the appropriate sales denominator, consistent with the “Attribution of Subsidies” section above. The calculation of the benefit resulted in a net countervailable subsidy rate that is less than 0.005 percent.²⁷²

5. RSLTA Article 46

SeAH Steel and SeAH ESAB reported that they used this program during the POR.²⁷³ To calculate the net subsidy rate, we divided the total benefit by the appropriate sales denominator, consistent with the “Attribution of Subsidies” section above. The calculation of the benefit resulted in a net countervailable subsidy rate that is less than 0.005 percent for both companies.²⁷⁴

6. KEXIM Bank Subsidy Programs

Hyundai RB, SeAH Steel, and SeAH Holdings reported that they used this program during the POR.²⁷⁵ To calculate the benefit under this program, we used the benchmarks described in the “Benchmarks and Interest Rates” section above, as well as the methodology described in 19 CFR 351.505(c) to calculate the interest that Hyundai RB, SeAH Steel, and SeAH Holdings would have paid on comparable a commercial loan during the POR. To calculate the net subsidy rate, we divided the total benefit calculated by the appropriate sales denominator, consistent with the “Attribution of Subsidies” section above. The calculation of the benefit resulted in a net countervailable subsidy rate that is less than 0.005 percent for both Hyundai RB and SeAH Steel.²⁷⁶

²⁶⁸ See SeAH Steel Preliminary Calculation Memorandum.

²⁶⁹ See Hyundai RB Initial Response at III-59.

²⁷⁰ See Hyundai RB Preliminary Calculation Memorandum.

²⁷¹ See SeAH Steel Initial Response at Volume I, p. 36.

²⁷² See SeAH Steel Preliminary Calculation Memorandum.

²⁷³ See SeAH Steel Initial Response at Volume IV, Appendix ESAB-11-A; and SeAH Steel Supplemental Response at Appendix S-10.

²⁷⁴ See SeAH Steel Preliminary Calculation Memorandum.

²⁷⁵ See Hyundai RB Initial Response at III-15; and SeAH Steel Initial Response at Volume I, Appendices 9-A and 10-A.

²⁷⁶ See Hyundai RB Preliminary Calculation Memorandum and SeAH Steel Preliminary Calculation Memorandum.

7. KDB Short-Term Financing for Working Capital

SeAH Holdings reported that it used this program during the POR.²⁷⁷ To calculate the benefit under this program, we used the benchmarks described in the “Benchmarks and Interest Rates” section above, as well as the methodology described in 19 CFR 351.505(c) to calculate the interest that SeAH Holdings would have paid on comparable a commercial loan during the POR. To calculate the net subsidy rate, we divided the total benefit calculated by the appropriate sales denominator, consistent with the “Attribution of Subsidies” section above. The calculation of the benefit resulted in a net countervailable subsidy rate that is less than 0.005 percent.²⁷⁸

8. Industrial Grants under the Industrial Technology Innovation Promotion Act (ITIPA)

SeAH Steel and SeAH ESAB reported receiving benefits under the ITIPA program during the AUL.²⁷⁹ To calculate the benefit under this program for SeAH ESAB and SeAH Steel, we first applied the “0.5 percent expense test” as described in the “Allocation Period” section above.²⁸⁰ Grant amounts that did not exceed the 0.5 percent threshold were expensed fully in the year of receipt. In calculating a benefit for these grants to SeAH ESAB and SeAH Steel, we preliminarily determine that these grants do not meet the 0.5 percent threshold for allocation over the AUL period, pursuant to 19 CFR 351.524(b)(2). Therefore, we preliminarily determine that grants received by SeAH ESAB and SeAH Steel offered no allocable benefit during the POR. Further, SeAH ESAB and SeAH Steel reported receiving no benefits for ITIPA grants during the POR.²⁸¹

9. Ulsan City Export Insurance Fee Support

Hyundai RB reported that it used this program during the POR.²⁸² To calculate the net subsidy rate, we divided the total benefit by the appropriate sales denominator, consistent with the “Attribution of Subsidies” section above. The calculation of the benefit resulted in a net countervailable subsidy rate that is less than 0.005 percent.²⁸³

10. Overseas Standard Certification Acquisition Support Project

Hyundai RB reported that it used this program during the POR.²⁸⁴ To calculate the net subsidy rate, we divided the total benefit by the appropriate sales denominator, consistent with the “Attribution of Subsidies” section above. The calculation of the benefit resulted in a net countervailable subsidy rate that is less than 0.005 percent.²⁸⁵

²⁷⁷ See SeAH Steel Initial Response at Volume I, p. 40.

²⁷⁸ See SeAH Steel Preliminary Calculation Memorandum.

²⁷⁹ See SeAH Steel Initial Response at Volume I, p. 35, and Volume IV, p. 20.

²⁸⁰ *Id.* at Volume I, Appendix 14, and Volume IV, Appendix ESAB-12.

²⁸¹ *Id.*

²⁸² See Hyundai RB Initial Response at III-81.

²⁸³ See Hyundai RB Preliminary Calculation Memorandum.

²⁸⁴ See Hyundai RB Initial Response at III-120.

²⁸⁵ See Hyundai RB Preliminary Calculation Memorandum.

11. Good Job Creation Project

Hyundai RB reported that it used this program during the POR.²⁸⁶ To calculate the net subsidy rate, we divided the total benefit by the appropriate sales denominator, consistent with the “Attribution of Subsidies” section above. The calculation of the benefit resulted in a net countervailable subsidy rate that is less than 0.005 percent.²⁸⁷

12. Job Stabilization Fund

Hyundai RB reported that Trader A, an unaffiliated trading company that exports subject merchandise produced by Hyundai RB, used this program during the POR.²⁸⁸ To calculate the net subsidy rate, we divided the total benefit by the appropriate sales denominator. We then took that benefit and applied a ratio of Trader A’s exports to the United States of subject merchandise that was produced by Hyundai RB, consistent with the “Attribution of Subsidies” section above. The calculation of the benefit resulted in a net countervailable subsidy rate that is less than 0.005 percent.²⁸⁹

13. Seoul City’s Export Credit Insurance (Guarantee) Fee Support

Hyundai RB reported that Trader A, an unaffiliated trading company that exports subject merchandise produced by Hyundai RB, used this program during the POR.²⁹⁰ To calculate the net subsidy rate, we divided the total benefit by the appropriate sales denominator. We then took that benefit and applied a ratio of Trader A’s exports to the United States of subject merchandise that was produced by Hyundai RB, consistent with the “Attribution of Subsidies” section above. The calculation of the benefit resulted in a net countervailable subsidy rate that is less than 0.005 percent.²⁹¹

C. Programs Preliminarily Determined to Be Not Used

1. Korea Trade Insurance Corporation (K-SURE) Export Credit Insurance

Hyundai RB and Trader A reported purchasing export credit insurance from K-SURE during the POR.²⁹² However, Hyundai RB and Trader A did not receive this credit insurance for shipments of subject merchandise to the United States during the POR.²⁹³ Therefore, pursuant to 19 CFR 351.525(b)(5), we preliminarily did not attribute any benefits received by Hyundai RB and Trader A under this program.

²⁸⁶ See Hyundai RB Initial Response at III-94.

²⁸⁷ See Hyundai RB Preliminary Calculation Memorandum.

²⁸⁸ See Trader A Initial Response at III-13 and III-14.

²⁸⁹ See Hyundai RB Preliminary Calculation Memorandum.

²⁹⁰ See Trader A Initial Response at III-13 and III-14.

²⁹¹ See Hyundai RB Preliminary Calculation Memorandum.

²⁹² See Hyundai RB Initial Response at III-37 and Trader A Initial Response at III-14.

²⁹³ *Id.*

2. Grants from Ministry of Employment and Labor

SeAH Steel and SeAH ESAB reported that they received benefits under this program during the AUL, but that neither company received any benefits during the POR.²⁹⁴ As these worker assistance programs are recurring subsidies under 19 CFR 351.524(c), we preliminarily determine that SeAH ESAB and SeAH Steel did not use this program during the POR.

We also preliminarily determine that respondents did not apply for or receive countervailable benefits during the POR under the following programs:

1. RSTA Article 22
2. RSTA Article 25
3. RSTA Article 25(2)
4. RSTA Article 25(3)
5. RSTA Article 26
6. RSTA Article 120
7. Modal Shift Program
8. Management of Electricity Factor Load Program
9. Short-Term Discounted Loans for Export Receivables from the KDB and the Industrial Base Fund
10. K-SURE Export Credit Guarantees
11. Loans from the Korean Resources Corporation and the Korea National Oil Corporation
12. Tax Reductions and Exemptions for Companies Located in Free Economic Zones (FEZs)
13. Exemptions and Reductions of Lease Fees for Companies Located in FEZs
14. Grants to Companies Located in FEZs
15. RSLTA Article 19
16. RSLTA Article 31
17. RSLTA Article 84
18. Sharing of Working Opportunities/Employment Creating Incentives
19. High Efficiency Energy Market Project
20. Local Tax Act Article 109
21. Local Tax Act Article 112
22. Incentives for Usage of Yeongil Harbor in Pohang City
23. Incentives for Usage of Gwangyang Port
24. Incentives for Natural Gas Facilities
25. Subsidies for Construction and Operation of Workplace Nursery
26. Fast Track Restructuring Program
27. Quota Tariff Import Duty Exemptions Under Article 71 of the Customs Act

²⁹⁴ See SeAH Steel Initial Response at Volume I, p. 36, and Volume IV, p. 22.

IX. RECOMMENDATION

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



Agree

Disagree

7/30/2021

X



Signed by: CHRISTIAN MARSH

Christian Marsh
Acting Assistant Secretary
for Enforcement and Compliance