December 5, 2019

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

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

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

I. SUMMARY

The Department of Commerce (Commerce) is conducting an administrative review of the countervailing duty (CVD) order on certain hot-rolled steel flat products (hot-rolled steel) from the Republic of Korea (Korea) for the period of review (POR) January 1, 2017 through December 31, 2017. This review covers one producer/exporter of subject merchandise, Hyundai Steel Company, Ltd. (Hyundai Steel), the sole mandatory respondent. We preliminarily find that Hyundai Steel received countervailable subsidies that are de minimis during the POR.

If these preliminary results are adopted in the final results of this review, we will instruct U.S. Customs and Border Protection (CBP) to liquidate without regard to countervailing duties on all appropriate entries of subject merchandise during the POR. Interested parties are invited to comment on these preliminary results. Unless the deadline is extended pursuant to section 751(a)(3)(A) of the Tariff Act of 1930, as amended (the Act), we will issue the final results no later than 120 days after the publication of these preliminary results.

II. BACKGROUND

On October 3, 2016, Commerce published the Order in the Federal Register. On October 1, 2018, Commerce published a notice of opportunity to request an administrative review of the

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We received a timely request for an administrative review from Hyundai Steel, and from the petitioners. On December 11, 2018, Commerce initiated an administrative review of the Order with regard to the fifteen producers for which interested parties requested individual review for the period January 1, 2017 through December 31, 2017.

In the Initiation Notice, we stated that, in the event we limited the number of respondents selected for individual examination, we intended to select respondents based on CBP data for U.S. imports during the POR. Accordingly, on December 12, 2018, Commerce released CBP data to all interested parties under an administrative protective order, and requested comments regarding the data and respondent selection. On December 18 and 21, 2018, POSCO and Nucor submitted comments and rebuttal comments, respectively.

On February 6, 2019, Commerce selected Hyundai Steel as the mandatory respondent in the administrative review.

On February 7, 2019, Commerce issued the initial questionnaire to the Government of Korea (GOK). Hyundai Steel and the GOK timely submitted their responses to the initial questionnaire. Between May 10 and October 23, 2019, Commerce issued supplemental

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2 See Antidumping or Countervailing Duty Order, Finding, or Suspended Investigation; Opportunity to Request Administrative Review, 83 FR 49358 (October 1, 2018).
6 Id.
9 See Respondent Selection Memorandum.
questionnaires to Hyundai Steel and the GOK, and received timely responses. On June 12, 2019, we rescinded this review with respect to all companies but Hyundai Steel.

On April 29, 2019, Nucor submitted timely new subsidy allegations (NSAs) with regard to Hyundai Steel. On August 12, 2019, Commerce released its decision memorandum regarding Nucor’s NSAs concerning Hyundai Steel. On August 13, 2019, Commerce issued the NSA questionnaire to Hyundai Steel and the GOK. On August 26, 2019, Hyundai Steel submitted its NSA questionnaire response. The GOK did not submit a NSA questionnaire response by the established deadline, and requested an extension to file its submission. In accordance with 19 CFR 351.302(d), Commerce rejected the GOK’s request to extend the deadline for its NSA questionnaire response because the GOK did not allege an extraordinary circumstance that caused it to untimely file its extension request pursuant to 19 CFR 351.302(c). On October 21, 2019, Commerce released a NSA supplemental questionnaire to Hyundai Steel. On October 31, 2019, Hyundai Steel timely submitted a response to Commerce’s October 21, 2019 supplemental questionnaire.

On April 29, 2019, the petitioners submitted a timely upstream subsidy allegation that Korean hot-rolled steel producers benefitted from upstream subsidies in the form of subsidized electricity during the POR. On August 30, 2019, Commerce initiated an investigation of this upstream subsidy allegation and issued questionnaires to Hyundai Steel, and the GOK, to which we received timely responses. Due to the complex nature of the allegation, and because our analysis is ongoing, we have not yet made a preliminary finding on whether a countervailable

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upstream subsidy exists. We intend to issue our post-preliminary analysis subsequent to these preliminary results. On October 19, 2019, U.S. Steel filed comments with respect to Hyundai Steel in advance of the preliminary results.\textsuperscript{25} As these comments were on the upstream allegation, we will consider them in our post-preliminary analysis of this program.

On January 23, 2019, Commerce exercised its discretion to toll all deadlines affected by the closure of the Federal Government from December 22, 2018 through January 29, 2019.\textsuperscript{26} On July 3, 2019, Commerce extended the deadline for preliminary results of this review to no later than December 5, 2019.\textsuperscript{27} We are conducting this review in accordance with section 751 of the Act.

III. PERIOD OF REVIEW

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

IV. SCOPE OF THE ORDER

The products covered by this order are certain hot-rolled, flat-rolled steel products, with or without patterns in relief, and whether or not annealed, painted, varnished, or coated with plastics or other non-metallic substances. The products covered do not include those that are clad, plated, or coated with metal. The products covered include coils that have a width or other lateral measurement (“width”) of 12.7 mm or greater, regardless of thickness, and regardless of form of coil (e.g., in successively superimposed layers, spirally oscillating, \textit{etc}.). The products covered also include products not in coils (e.g., in straight lengths) of a thickness of less than 4.75 mm and a width that is 12.7 mm or greater and that measures at least 10 times the thickness. The products described above may be rectangular, square, circular, or other shape and include products of either rectangular or non-rectangular cross-section where such cross-section is achieved subsequent to the rolling process, \textit{i.e.}, products which have been “worked after rolling” (e.g., products which have been beveled or rounded at the edges). For purposes of the width and thickness requirements referenced above:

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

\textsuperscript{25} See Petitioner’s Letter, “Pre-Preliminary Results Comments Regarding Upstream Electricity Subsidies,” dated November 13, 2019.

\textsuperscript{26} See Memorandum, “Deadlines Affected by the Partial Shutdown of the Federal Government,” dated January 28, 2019. All deadlines in this segment of the proceeding have been extended by 40 days.

the existing antidumping\textsuperscript{28} or countervailing duty\textsuperscript{29} orders on Certain Cut-To-Length Carbon-Quality Steel Plate Products from the Republic of Korea (A-580-836; C-580-837), and

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

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

- 2.50 percent of manganese, or
- 3.30 percent of silicon, or
- 1.50 percent of copper, or
- 1.50 percent of aluminum, or
- 1.25 percent of chromium, or
- 0.30 percent of cobalt, or
- 0.40 percent of lead, or
- 2.00 percent of nickel, or
- 0.30 percent of tungsten, or
- 0.80 percent of molybdenum, or
- 0.10 percent of niobium, or
- 0.30 percent of vanadium, or
- 0.30 percent of zirconium.

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

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

\textsuperscript{28} See Notice of Amendment of Final Determinations of Sales at Less than Fair Value and Antidumping Duty Orders: Certain Cut-To-Length Carbon-Quality Steel Plate Products from France, India, Indonesia, Italy, Japan and the Republic of Korea, 65 FR 6585 (February 10, 2000).
\textsuperscript{29} See Notice of Amended Final Determinations: Certain Cut-to-Length Carbon-Quality Steel Plate from India and the Republic of Korea; and Notice of Countervailing Duty Orders: Certain Cut-To-Length Carbon-Quality Steel Plate from France, India, Indonesia, Italy, and the Republic of Korea, 65 FR 6587 (February 10, 2000).
Subject merchandise includes hot-rolled steel that has been further processed in a third country, including but not limited to pickling, oiling, levelling, annealing, tempering, temper rolling, skin passing, painting, varnishing, trimming, cutting, punching, and/or slitting, or any other processing that would not otherwise remove the merchandise from the scope of the order if performed in the country of manufacture of the hot-rolled steel.

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

- Universal mill plates (i.e., hot-rolled, flat-rolled products not in coils that have been rolled on four faces or in a closed box pass, of a width exceeding 150 mm but not exceeding 1250 mm, of a thickness not less than 4.0 mm, and without patterns in relief);
- Products that have been cold-rolled (cold-reduced) after hot-rolling;
- Ball bearing steels;
- Tool steels; and
- Silico-manganese steels;


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30 For purposes of this scope exclusion, rolling operations such as a skin pass, levelling, temper rolling or other minor rolling operations after the hot-rolling process for purposes of surface finish, flatness, shape control, or gauge control do not constitute cold-rolling sufficient to meet this exclusion.

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

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

33 Silico-manganese steel is defined as steels containing by weight: (i) not more than 0.7 percent of carbon; (ii) 0.5 percent or more but not more than 1.9 percent of manganese, and (iii) 0.6 percent or more but not more than 2.3 percent of silicon.
order may also enter under the following HTSUS numbers: 7210.90.9000, 7211.90.0000, 7212.40.1000, 7212.40.5000, 7212.50.0000, 7214.91.0015, 7214.91.0060, 7214.91.0090, 7214.99.0060, 7214.99.0075, 7214.99.0090, 7215.90.5000, 7226.99.0180, and 7228.60.6000.

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

V. SUBSIDIES VALUATION INFORMATION

A. Allocation Period

For non-recurring subsidies, we applied the “0.5 percent test,” as described in 19 CFR 351.524(b)(2). Under this test, we divide the amount of subsidies approved under a given program in a particular year by the relevant sales value (e.g., total sales or export sales) for the same year. If the amount of the subsidies is less than 0.5 percent of the relevant sales value, then the benefits are allocated to the year of receipt rather than across the average useful life (AUL). In the instant review, we are relying on a 15-year AUL.34

B. Attribution of Subsidies

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

According to 19 CFR 351.525(b)(6)(vi), cross-ownership exists between two or more corporations where one corporation can use or direct the individual assets of the other corporation(s) in essentially the same ways it can use its own assets. This regulation states that this standard will normally be met where there is a majority voting interest between two corporations or through common ownership of two (or more) corporations. The Court of International Trade (CIT) upheld Commerce’s authority to attribute subsidies based on whether a company could use or direct the subsidy benefits of another company in essentially the same way it could use its own subsidy benefits.35


Hyundai Steel reported that it is a publicly traded company engaged in the production and sale of steel products, including hot-rolled steel. Hyundai Steel reported that it is not a subsidiary of any other company and it has no parent or holding company. Hyundai Steel provided a full response on behalf of itself, Hyundai HYSCO Co., Ltd. (Hyundai HYSCO), SPP Yulchon Energy, Hyundai BNG Steel (Hyundai BNG), and Hyundai Green Power. Consistent with prior segments of this proceeding and other proceedings, we continue to find Hyundai Green Power not to be cross-owned with Hyundai Steel, and that Hyundai BNG and Hyundai Steel are not cross-owned. Pursuant to 19 CFR 351.525(b)(6)(i), we have attributed subsidies received by Hyundai Steel to the sales of Hyundai Steel for these preliminary results.

C. Loan Benchmarks and Interest Rates

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

Hyundai Steel reported receiving short-term import financing from the Korea Export-Import Bank (KEXIM) during the POR. As benchmarks, respondents provided information about short-term loans from commercial banks for consideration as comparable commercial loans for purposes of identifying an interest rate benchmark. We preliminarily find that certain of the loans that the respondents identified constitute comparable commercial loans, and it is appropriate to use these loans to calculate a weighted-average benchmark interest rate. Where company-specific rates were not available, we used the short-term Korean lending rates, published in the International Monetary Fund’s (IMF) International Financial Statistics, as applicable, consistent with past practice in other Korean CVD proceedings.

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36 See Hyundai Steel Affiliation QR at 3.
37 Id.
40 See Hyundai Steel Initial QR at 22. Hyundai Steel reported usance loans it had received. Id. at 25-26. Consistent with our prior determinations, we find that these loans are not specific. See Coated Free Sheet Paper from the Republic of Korea: Notice of Final Affirmative Countervailing Duty Determination, 72 FR 6063 (October 25, 2007), and accompanying IDM at 21.
41 See Hyundai Steel Initial QR at Exhibit C-2.
42 See Memorandum, “Calculations for the Preliminary Results: Hyundai Steel Co., Ltd.,” dated concurrently with this memorandum (Hyundai Steel Preliminary Calculation Memorandum).
43 See, e.g., Certain Carbon and Alloy Steel Cut-to-Length Plate from the Republic of Korea: Preliminary Negative Countervailing Duty Determination and Alignment of Final Determination with Final Antidumping Duty Determination, 81 FR 63168 (September 14, 2016) (CTL Preliminary Determination), and accompanying Preliminary Decision Memorandum (PDM) at 15, unchanged in Certain Carbon and Alloy Steel Cut-To-Length
During the POR, Hyundai Steel had outstanding long-term Korean won and U.S. dollar-denominated loans from government-controlled banks.\(^{44}\) As benchmarks for won-denominated long-term loans and as discount rates, we used, where available, the company-specific interest rates on the company’s comparable commercial, won-denominated loans. If such loans were not available, we used, where available, the company-specific corporate bond rate on the company’s public and private bonds, as we have determined that the GOK did not control the Korean domestic bond market after 1991.\(^{45}\) This is the approach Commerce has taken in several prior Korean CVD proceedings.\(^{46}\) Specifically, in those cases, we determined that, absent company-specific, commercial long-term loan interest rates, the won-denominated corporate bond rate is the best indicator of the commercial long-term borrowing rates for won-denominated loans in Korea, because it is widely accepted as the market rate in Korea.\(^{47}\)

Where company-specific rates were not available, we used the national average of the yields on three-year, won-denominated corporate bonds, published in the International Monetary Fund’s (IMF’s) *International Financial Statistics (IFS Yearbook)*. This approach is consistent with 19 CFR 351.505(a)(3)(ii) and prior Korean CVD proceedings.\(^{48}\) In accordance with 19 CFR 351.505(a)(2)(i), our benchmarks take into consideration the structure of the government-provided loans. For countervailable fixed-rate loans, pursuant to 19 CFR 351.505(a)(2)(iii), we used benchmark rates issued in the same year that the government loans were issued. For U.S. dollar-denominated bonds, we used the long-term U.S. government bond yield rate, as reported by the IMF’s *International Financial Statistics*.

**D. Denominators**

When selecting an appropriate denominator for use in calculating the *ad valorem* subsidy rate, Commerce considers the basis for the respondent’s receipt of benefits under each program. As discussed in further detail below, where the program has been found to be countervailable as a domestic subsidy, we have used total sales as the denominator for our rate calculations for Hyundai Steel. In the sections below, we describe the denominators we used to calculate the countervailable subsidy rates for the various subsidy programs.

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\(^{44}\) *See,* e.g., *Hyundai Steel’s Affiliation QR at Exhibit 2; see also Hyundai Steel Initial QR at Exhibit F-3.\(^{45}\) *See,* e.g., *Final Negative Countervailing Duty Determination: Stainless Steel Plate in Coils from the Republic of Korea,* 64 FR 15530, 15531 (March 31, 1999) and “Analysis Memorandum on the Korean Domestic Bond Market” (March 9, 1999).\(^{46}\) *Id.; see also Final Affirmative Countervailing Duty Determination: Structural Steel Beams from the Republic of Korea,* 65 FR 41051 (July 3, 2000), and accompanying IDM at “Benchmark Interest Rates and Discount Rates”; and *Final Affirmative Countervailing Duty Determination: Dynamic Random Access Memory Semiconductors from the Republic of Korea,* 68 FR 37122 (June 23, 2003), and accompanying IDM at “Discount Rates and Benchmark for Loans.”\(^{47}\) *See Final Affirmative Countervailing Duty Determinations and Final Negative Critical Circumstances Determinations: Certain Steel Products from Korea,* 58 FR at 37328, 37345-37346 (July 9, 1993).\(^{48}\) *See,* e.g., *CTL Preliminary Determination PDM at 15,* unchanged in *CTL Final Determination* IDM at 9.
E. **Discount Rates**

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

VI. **USE OF FACTS OTHERWISE AVAILABLE**

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

Section 776(c) of the Act provides that, when Commerce relies on secondary information rather than on information obtained in the course of an investigation or review, it shall, to the extent practicable, corroborate that information from independent sources that are reasonably at its disposal. Secondary information is “information derived from the petition that gave rise to the investigation or review, the final determination concerning the subject merchandise, or any previous review under section 751 concerning the subject merchandise.”\(^{49}\) It is Commerce’s practice to consider information to be corroborated if it has probative value.\(^{50}\) In analyzing whether information has probative value, it is Commerce’s practice to examine the reliability and relevance of the information to be used.\(^{51}\) However, the SAA emphasizes that Commerce need not prove that the selected facts available are the best alternative information.\(^{52}\)

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

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

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\(^{49}\) *See* Statement of Administrative Action accompanying the Uruguay Round Agreements Act, H.R. Doc. 103-316 vol. 1 (1994) (SAA) at 870.

\(^{50}\) *Id.*

\(^{51}\) *See*, e.g., SAA at 869.

\(^{52}\) *See* SAA at 869-870.
In its response, Hyundai Steel reported that it acquired the cold-rolling and coating assets and business of Hyundai HYSCO on December 31, 2013.\textsuperscript{53} Hyundai HYSCO ceased to exist as an ongoing entity after July 1, 2015, when it was merged into Hyundai Steel.\textsuperscript{54}

Because Hyundai HYSCO was acquired by Hyundai Steel during the AUL period, we considered whether any non-recurring subsidies that HYSCO could pass through to Hyundai Steel. Therefore, in a supplemental questionnaire, we requested that Hyundai Steel submit complete questionnaire responses for Hyundai HYSCO. Hyundai HYSCO stated in its initial questionnaire response that the records from 2002 through 2005 were inaccessible,\textsuperscript{55} but it did not request to be excused from reporting during this part of the AUL.

Because Hyundai HYSCO was acquired by Hyundai Steel during the AUL period, we need to consider whether any non-recurring subsidies that Hyundai HYSCO received could pass through to Hyundai Steel. Thus, we requested that Hyundai Steel submit complete questionnaire responses for Hyundai HYSCO. However, as described above, Hyundai Steel claims that it is unable to respond on behalf of Hyundai HYSCO for the 2002 through 2005 reporting period due to its difficulties in accessing documents from this period. Accordingly, for purposes of these preliminary results, in accordance with section 776(a) of the Act, we are selecting from among the facts otherwise available, since necessary information is not on the record. As FA, we are relying on subsidies information for Hyundai HYSCO from the 2010 administrative review of corrosion-resistant carbon steel flat products from Korea.\textsuperscript{56} Specifically, we are relying on the countervailing duty rate that was calculated for Hyundai HYSCO’s non-recurring subsidies. The only non-recurring subsidy for Hyundai HYSCO during this period was for the “Promotion of Specialized Enterprises for Parts and Materials,” in the amount of 0.01 percent \textit{ad valorem}.\textsuperscript{57} We are cumulating this 0.01 percent rate with the countervailing duty rate calculated for Hyundai Steel in this administrative review.

\section*{VII. ANALYSIS OF PROGRAMS}

\subsection*{A. Programs Preliminarily Determined to be Countervailable}

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

Hyundai Steel reported receiving tax exemptions under Article 78 of the RSLTA.\textsuperscript{58} The GOK administers the tax exemption program under Article 78 of the RSLTA to provide incentives for

\textsuperscript{53} See Hyundai Steel Affiliation Response at III-18.
\textsuperscript{54} Id.
\textsuperscript{57} See Memorandum, “Placing Documents on the Record of this Review: Hyundai Hysco,” dated concurrently with this memorandum.
\textsuperscript{58} See Hyundai Steel Initial QR at 38 and Exhibit I-13.
companies to relocate from populated areas in the Seoul metropolitan region to industrial sites in less populated parts of the country. Under Article 78 of the RSLTA, any entity acquiring real estate in a designated industrial complex for the purpose of constructing new buildings or renovating existing ones shall be exempted from the acquisition tax. In addition, the entity located in these designated industrial complexes shall have the property tax reduced by 50 percent on the real estate for five years from the date the tax liability becomes effective. The tax exemption is increased to 100 percent of the relevant land, buildings, or facilities that are located in an industrial complex outside of the Seoul metropolitan area. The program is administered by the local tax officials of the county where the industrial complex is located.

The GOK reported that there were no changes to this program during the POR. Thus, we preliminarily find that the tax reductions constitute a financial contribution in the form of revenue forgone, as described under section 771(5)(D)(ii) of the Act, and confer a benefit to Hyundai Steel pursuant to section 771(5)(E) of the Act, and 19 CFR 351.509(a). We further preliminarily find that the tax exemptions provided under this program are specific under section 771(5A)(D)(iv) of the Act because the subsidies are limited to enterprises located within designated geographical regions within the jurisdiction of the authority(ies) providing the subsidy. Our preliminary findings in this regard are consistent with prior Korean CVD proceedings.

The tax credits provided under this program are recurring benefits, because the taxes are due annually. Thus, the benefit is expensed in the year in which it is received. To calculate the benefit, we subtracted the amount of taxes paid by the firms from the amounts that would have been paid absent the program. To calculate the net subsidy rate, we divided the total benefit by the total sales of the respective company. On this basis, we preliminarily determine that Hyundai Steel received a countervailable subsidy rate of 0.02 percent ad valorem under this program.

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

Hyundai Steel reported receiving tax exemptions under RSTA Article 26. Under Article 26 of the RSTA, the GOK provides tax incentives to companies that make investments in their respective fields of business. Under RSTA Article 26, taxpayers are permitted to apply for a tax deduction from the income tax or corporate tax of the qualifying investment. The following

59 See GOK Initial QR at 134-144.
60 Id.
61 Id.
63 See 19 CFR 351.524(a).
64 See Hyundai Steel Preliminary Calculation Memorandum.
65 See Hyundai Steel Initial QR at 38 and Exhibits I-10 and I-11.
company categories qualify for the tax incentives provided under the program: (1) a small- or medium-sized enterprise, (2) a “transitioning” company, or (3) “any other company.” Commerce previously determined that this program was countervailable.66

The GOK stated that there were no changes made to this program during the POR.67 Consistent with prior segments of this proceeding, we preliminarily determine that the tax reductions under RSTA Article 26 constitute a financial contribution in the form of revenue forgone, as described under section 771(5)(D)(ii) of the Act, and confer a benefit pursuant to section 771(5)(E) of the Act, and 19 CFR 351.509(a). We further preliminarily determine that the tax exemptions provided under this program are specific under section 771(5A)(D)(iv) of the Act, because benefits are limited to enterprises located within designated geographical regions. Our findings in this regard are consistent with prior Korean CVD proceedings.68

To calculate the benefit for Hyundai Steel, we subtracted the amount of taxes paid by the firm from the amount that would have been paid absent the program. To calculate the net subsidy rate, we divided the total benefit by the total sales of the company. On this basis, we preliminarily determine that Hyundai Steel received a countervailable subsidy rate of 0.28 percent ad valorem under this program.69

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

Hyundai Steel reported that it received tax exemptions under RSTA Article 25(2).70 The purpose of this program is to facilitate the enhancement of energy efficiency in business sectors through a deduction from taxes payable.71 Commerce previously determined that this program was countervailable.72

66 See Countervailing Duty Investigation of Certain Hot-Rolled Steel Flat Products from the Republic of Korea: Preliminary Negative Determination and Alignment of Final Determination with Final Antidumping Duty Determination, 81 FR 2172 (January 15, 2016) (Hot-Rolled Steel from Korea Preliminary Determination), and accompanying PDM at 13-14, unchanged in Certain Hot-Rolled Steel Flat Products from Brazil and the Republic of Korea: Amended Final Affirmative Countervailing Duty Determinations, 81 FR 67960 (October 3, 2016) (Hot-Rolled Steel from Korea Final Determination), and accompanying IDM (finding Article 26 encouraged companies to make investments outside of the overcrowding control region of the Seoul Metropolitan Area, thus it is geographically limited to locations outside Seoul).

67 See GOK Initial QR at 118-133.

68 See, e.g., Certain Cut-to-Length Carbon-Quality Steel Plate from the Republic of Korea: Preliminary Results of Countervailing Duty Administrative Review; and Rescission of Review; in Part; Calendar Year 2017, 84 FR 15182 (April 15, 2019), and accompanying PDM at 8-9, unchanged in Certain Cut-to-Length Carbon-Quality Steel Plate from the Republic of Korea: Final Results of Countervailing Duty Administrative Review; Calendar Year 2017, 84 FR 42893 (August 19, 2019), and accompanying IDM at 9.

69 See Hyundai Steel Preliminary Calculation Memorandum.

70 See Hyundai Steel Initial QR Exhibit I-6 at 4.

71 See Hot-Rolled Steel from Korea Preliminary Determination PDM at 16-18, unchanged in Hot-Rolled Steel from Korea Final Determination.

72 Id.
The GOK reported that there were no changes to this program during the POR.\textsuperscript{73} Thus, consistent with prior segments of this proceeding, we preliminarily find this program \textit{de facto} specific within the meaning of section 771(5A)(D)(iii)(I) of the Act because the actual number of recipients is limited. We further preliminarily determine that this program results in a financial contribution from the GOK to recipients in the form of revenue forgone, as described in section 771(5)(D)(ii) of the Act. 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 benefit for Hyundai Steel, we divided the amount of the tax savings by the appropriate sales denominator during the POR. On this basis, we preliminarily determine that Hyundai Steel received a countervailable subsidy rate of 0.02 percent \textit{ad valorem} under this program.\textsuperscript{74}

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

Hyundai Steel reported that it received tax exemptions under RSTA Article 25(3).\textsuperscript{75} Introduced in 2007, RSTA Article 25(3) aims to motivate investments in facilities that are constructed for the purpose of preserving the environment.\textsuperscript{76} Any entity making an investment in facilities under this program may apply for a ten percent tax deduction.\textsuperscript{77} Commerce previously determined that this program was countervailable.\textsuperscript{78}

The GOK reported that there were no changes to this program during the POR.\textsuperscript{79} Thus, consistent with prior segments of this proceeding,\textsuperscript{80} we preliminarily determine that this program is \textit{de facto} specific within the meaning of section 771(5A)(D)(iii)(I) of the Act because the actual number of recipients is limited. This program results in a financial contribution from the GOK to recipients in the form of revenue forgone, as described in section 771(5)(D)(ii) of the Act and confers a benefit pursuant to section 771(5)(E) of the Act, and 19 CFR 351.509(a).

To calculate the benefit for Hyundai Steel, we divided the amount of the tax savings by the appropriate sales denominator during the POR. On this basis, we preliminarily determine that
Hyundai Steel received a countervailable subsidy rate of 0.05 percent \textit{ad valorem} under this program.\textsuperscript{81}

5. \textbf{Electricity Discounts under Trading of Demand Response Resources (DRR) Program}

Hyundai Steel used the DRR program during the POR.\textsuperscript{82} The legal basis for this program is Article 31(5) of the Electricity Business Law (EBL) and Chapter 12 of the Rules on Operation of Electricity Utility Market (ROEUM).\textsuperscript{83} Chapter 12 of the ROEUM governs the program’s operations, the purpose of which is to smooth imbalances between supply and demand of power provision by creating a competitive marketplace for the price of demand response resources. The program is divided into two sub-programs, Demand Response Peak Curtailment and Demand Response Program for Electricity Price Curtailment. The former program is designed to curtail load during peak electricity demand periods, and the latter is intended to minimize power generation costs through price competition.\textsuperscript{84} The Korean Power Exchange (KPX) operates both programs.\textsuperscript{85} KPX is majority-owned by the Korea Electric Power Corporation (KEPCO), which is, in turn, majority-owned by the GOK.\textsuperscript{86} Consistent with our prior findings, we preliminarily find KEPCO to be an “authority” within the meaning of section 771(5)(B) of the Act.\textsuperscript{87} Therefore, we determine that a financial contribution in the form of a direct transfer of funds from KPX is provided to companies participating in this program under section 771(5)(D)(i) of the Act, and a benefit exists in the amount of the grant provided to Hyundai Steel in accordance with 19 CFR 351.504(a). Our findings in this regard are consistent with prior Korean CVD proceedings.\textsuperscript{88}

The GOK reported that there were no changes to this program during the POR.\textsuperscript{89} Thus, consistent with our findings in prior segments of this proceeding, we preliminarily determine that this program is \textit{de facto} specific within the meaning of section 771(5A) (D)(iii)(I) of the Act, as the actual recipients are limited in number. Our findings in this regard are consistent with Commerce’s approach in prior CVD proceedings involving Korea.\textsuperscript{90}

Consistent with prior proceedings, to determine the countervailable subsidy rate under this program, we divided the total benefit received during the POR by the total POR sales of Hyundai

\textsuperscript{81} See Hyundai Steel Preliminary Calculation Memorandum.
\textsuperscript{82} See Hyundai Steel Initial QR at 13-16 and Exhibits A-1 and A-2.
\textsuperscript{83} See GOK Initial QR at Exhibits ENERGY-1, ENERGY-2, ENERGY-3, and ENERGY-4.
\textsuperscript{84} Id.
\textsuperscript{85} Id.
\textsuperscript{86} Id.
\textsuperscript{87} See CTL Plate 2016 Preliminary Results PDM at 10; see also CTL Plate 2015 Preliminary Results PDM at 13.
\textsuperscript{88} See CTL Plate 2015 Preliminary Results PDM at 13, unchanged in CTL Plate 2015 Final Results IDM at 20-22; see also CTL Plate 2016 Preliminary Results PDM at 9-11, unchanged in CTL Plate Final Results 2016.
\textsuperscript{89} See GOK Initial QR at Exhibits ENERGY-1, ENERGY-2, ENERGY-3, and ENERGY-4.
\textsuperscript{90} See CTL Plate 2016 Preliminary Results PDM at 9, unchanged in CTL Plate 2016 Final Results IDM at 5.
Steel. On this basis, we preliminarily determine that Hyundai Steel received a countervailable subsidy rate of 0.06 percent \textit{ad valorem} under this program.\footnote{See Hyundai Steel Preliminary Calculation Memorandum.}

6. Modal Shift Program

Hyundai Steel reported that it used this program and received grant(s) during the POR.\footnote{See Hyundai Steel Initial QR at Exhibit K-6.} The GOK established this grant program in 2010 in order to decrease greenhouse gas emissions in the transportation and logistics sector. Specifically, through this program, the GOK aims to increase the transport volume by railroad and vessels, in order to decrease the transport volume by heavy freight motorized vehicles.\footnote{See GOK Initial QR at Exhibits MODAL-1 and Exhibit MODAL-2.} Under this program, the GOK provides grants from the Ministry of Land, Infrastructure and Transport to administering agencies for truck-to-rail “modal shift” entities and grants from the Ministry of Oceans and Fisheries to administering agencies for truck-to-marine freight “modal shift” entities. The legal framework for this program is Article 21 of the Sustainable Transportation Logistics Development Act, Article 24 of its Enforcement Decree, and Articles 14 through 17 of the Regulation on Modal Shift Agreement as promulgated by the Ministry of Finance (MOF).\footnote{Id. at Exhibit K-6.} Commerce has previously found this program to be countervailable.\footnote{See HRS from Korea 2016 Final Results.}

The GOK reported that there were no changes to this program during the POR.\footnote{See GOK Initial QR at Exhibit K-6.} We preliminarily determine that a financial contribution from the GOK exists in the form of a direct transfer of funds under section 771(5)(D)(i) of the Act. Because the number of companies that received assistance under this program was limited in number, we preliminarily determine that this program is \textit{de facto} specific under section 771(5A)(D)(iii)(I) of the Act.\footnote{See, e.g., Non-Oriented Electrical Steel from the Republic of Korea: Final Negative Countervailing Duty Determination and Final Negative Critical Circumstances Determination, 79 FR 61605 (October 14, 2014), and accompanying IDM at 26-27; Welded Line Pipe from the Republic of Korea: Final Negative Countervailing Duty Determination, 80 FR 61365 (October 13, 2015), and accompanying IDM at 36 (“The SAA notes: “the Administration intends to apply the specificity test in light of its original purpose, which is to function as an initial screening mechanism to winnow out only those foreign subsidies which truly are broadly available and widely used throughout an economy.”); and SAA at 929.} Our findings are consistent with Commerce’s prior Korean proceedings.\footnote{See CTL Plate 2016 Preliminary Results PDM at 12, unchanged in CTL Plate Final Results 2016.} We further preliminarily determine that this program confers a benefit on a recipient in the amount of the grant, pursuant to section 771(5)(E) of the Act and 19 CFR 351. 504.

To calculate the benefit to Hyundai Steel that it received under this grant program during the POR, we divided the value of the grant(s) that it received by its total sales. On this basis, we preliminarily determine that Hyundai Steel received a countervailable subsidy rate of 0.01 percent \textit{ad valorem} under this program.\footnote{See Hyundai Steel Preliminary Calculation Memorandum.}
B. Programs Preliminarily Determined to be Not Used or Not to Confer a Measurable Benefit

Hyundai Steel

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

We initiated an investigation of the provision of port usage rights at the port of Incheon with respect to Hyundai Steel, based on a NSA filed by the petitioners. Hyundai Steel reported receiving benefits under this program. However, because the net subsidy rate calculated based on the amount of the benefit is not measurable, we have not examined the countervailability of this program.\(^{100}\)

2. KEXIM Bank Import Financing
3. KEXIM Short-Term Export Credits
4. KEXIM Export Factoring
5. KEXIM Export Loan Guarantees
6. KEXIM Loan Guarantees for Domestic Facility Loans
7. KEXIM Trade Bill Rediscounting Program
8. KEXIM Overseas Investment Credit Program
9. KDB and IBK Short-Term Discounted Loans for Export Receivables
10. Loans under the Industrial Base Fund
11. K-SURE Export Credit Guarantees
12. K-SURE Short-Term Export Credit Insurance
13. Long-Terms Loans from KORES and KNOC
14. Clean Coal Subsidies
15. GOK Subsidies for “Green Technology R&D” and its Commercialization
16. Support for SME “Green Partnerships”
17. Tax Deduction under RSTA Article 10(1)(1)
18. Various Research and Development Grants Provided Under the Industrial Technology Innovation Promotion Act
19. RSTA Article 10(1)(2)
20. RSTA Article 11
21. RSTA 104(14)
22. RSLTA Articles 19, 31, 46, 84, LTA 109, 112, and 137
23. Tax Reductions and Exemptions in Free Economic Zones
25. Sharing of Working Opportunities/Employment Creating Incentives
26. GOK Infrastructure Investment at Inchon North Harbor
27. Machinery & Equipment (KANIST R&D) Project
28. Grant for Purchase of Electrical Vehicle
29. Power Business Law Subsidies
30. Provision of Liquefied Natural Gas (LNG) for LTAR
31. Energy Savings Programs
   a. Electricity Savings for Designated Period Program

\(^{100}\) *Id.*
b. Electricity Savings through the Bidding Process Program  
c. Electricity Savings upon an Emergent Reduction Program  
d. Electricity Savings through General Management Program  
e. Management of the Electricity Load Factor Program  
32. The GOK’s Purchases of Electricity for MTAR  
33. Incentives for Compounding and Prescription Cost Reduction  
34. Incentives for Usage of Yeongil Harbor in Pohang City  
35. VAT Exemptions on Imported Goods  
36. Incentives for Usage of Gwangyang Port  
37. Incentives for Natural Gas Facilities  
38. Subsidies for Construction and Operation of Workplace Nursery  
39. Subsidies for Hyundai Steel Red Angels Women’s Football Club  
40. Suncheon Harbor Port Usage Fee Exemptions  
41. Seoul Guarantee Insurance  
42. Subsidies for Pohang Art Festival  
43. Other Transactions with Government Entities  
44. Fast-Track Restructuring Program  
45. Reduction for Sewerage Usage Fee  

VIII. RECOMMENDATION  

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

☐ ☐  
Agree Disagree  
12/6/2019  

Signed by: JEFFREY KESSLER  
Jeffrey I. Kessler  
Assistant Secretary  
for Enforcement and Compliance