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DEPARTMENT OF COMMERCE

International Trade Administration

A-580-867

Large Power Transformers from the Republic of Korea: Initiation of Antidumping Duty Changed Circumstances Review

AGENCY: Enforcement and Compliance, International Trade Administration, Department of Commerce

SUMMARY: The Department of Commerce (the Department) obtained information, with respect to certain entities, sufficient to warrant the self-initiation of a changed circumstances review of the antidumping duty order on large power transformers (LPTs) from the Republic of Korea (Korea). Interested parties are invited to submit comments, as indicated below.

DATES: Applicable [INSERT DATE OF PUBLICATION IN THE *Federal Register*].

FOR FURTHER INFORMATION CONTACT: Moses Song, AD/CVD Operations, Office VI, Enforcement and Compliance, International Trade Administration, U.S. Department of Commerce, 1401 Constitution Avenue, NW, Washington, DC 20230; telephone: (202) 482-5041.

SUPPLEMENTARY INFORMATION:

Background

On August 31, 2012, the Department published in the *Federal Register* an antidumping duty order on LPTs from Korea.<sup>1</sup> Hyundai Heavy Industries Co., Ltd. (HHI) is one of the producers/exporters reviewed in the less-than fair-value investigation and has been reviewed in each subsequent administrative review of the *Order*. During the 2014/2015 administrative

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<sup>1</sup> See *Large Power Transformers from the Republic of Korea: Antidumping Duty Order*, 77 FR 53177 (August 31, 2012) (the *Order*).

review, which is also the most recently completed administrative review, the Department assigned HHI an antidumping duty rate of 60.81 percent.<sup>2</sup> To address concerns that certain merchandise may not be entering the United States at the appropriate cash deposit rate, the Department is self-initiating a changed circumstances review.

### Scope of the Order

The scope of this *Order* covers large liquid dielectric power transformers having a top power handling capacity greater than or equal to 60,000 kilovolt amperes (60 megavolt amperes), whether assembled or unassembled, complete or incomplete.

Incomplete LPTs are subassemblies consisting of the active part and any other parts attached to, imported with or invoiced with the active parts of LPTs. The “active part” of the transformer consists of one or more of the following when attached to or otherwise assembled with one another: the steel core or shell, the windings, electrical insulation between the windings, the mechanical frame for an LPT.

The product definition encompasses all such LPTs regardless of name designation, including but not limited to step-up transformers, step-down transformers, autotransformers, interconnection transformers, voltage regulator transformers, rectifier transformers, and power rectifier transformers.

The LPTs subject to this *Order* are currently classifiable under subheadings 8504.23.0040, 8504.23.0080, and 8504.90.9540 of the Harmonized Tariff Schedule of the United States (HTSUS). Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of this *Order* is dispositive.

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<sup>2</sup> See *Large Power Transformers from the Republic of Korea: Final Results of Antidumping Duty Administrative Review*; 2014-2015, 82 FR 13432 (March 13, 2017) (*2014/2015 Final Results*).

## Initiation of Changed Circumstances Review

Pursuant to section 751(b)(1) of the Tariff Act of 1930, as amended (the Act) and 19 CFR 351.216(d), the Department will conduct a changed circumstances review upon receipt of information concerning, or a request from an interested party for a review of, an antidumping duty order which shows changed circumstances sufficient to warrant such a review of the order. In this case, the Department is self-initiating a changed circumstances review based on information obtained (1) during the course of the 2014/2015 and 2015/2016 administrative reviews, (2) *via* public search, and (3) from U.S. Customs and Border Protection (CBP) data, as detailed below.

On March 13, 2017, the Department published the final results of the 2014/2015 antidumping administrative review (covering the period August 1, 2014, through July 31, 2015), assigning a dumping rate of 60.81 percent to HHI.<sup>3</sup>

On May 24, 2017, in connection with the 2015/2016 administrative review (covering the period August 1, 2015, through July 31, 2016), HHI submitted English translations of HHI's 2016 Korean language financial statements, requested by the Department as part of HHI's response to the Department's supplemental questionnaire.<sup>4</sup> HHI's 2016 unconsolidated and consolidated financial statements, both of which ended on December 31, 2016, and became effective as of March 16, 2017, list the "tentative" name of a newly established company by

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<sup>3</sup> See *2014/2015 Final Results*, 82 FR 13432 (March 13, 2017).

<sup>4</sup> See Memorandum, on the subject of "Placement of Factual Information: (1) Hyundai Heavy Industries Co., Ltd.'s Financial Statements from the 2015/2016 Administrative Review of the Antidumping Duty Order on Large Power Transformers from the Republic of Korea and (2) Website Information Regarding Hyundai Electric & Energy System Co., Ltd.," dated concurrently with this notice (New Factual Information Placement Memorandum) at Attachment 1 (citing Letter from HHI to the Department, regarding "Large Power Transformers from South Korea: Hyundai's Response to Questions 48 and 49 and Question 35e of the Supplemental Section A Questionnaire," dated May 24, 2017 (HHI's May 24, 2017, Questionnaire Response) at Attachment 1). We note that HHI and its U.S. affiliate, Hyundai Corporation USA (Hyundai USA), are collectively referred to as "Hyundai" in HHI's May 24, 2017, Questionnaire Response.

“spin-off,” as “Hyundai Electric and energy Co., Ltd.”<sup>5</sup> These financial statements also identify HHI as a company that still continued to exist after the “spin-off.”<sup>6</sup>

Additionally, on or around August 14, 2017, a representative of Georgetown Economic Services, LLC (an economic consulting firm retained by Kelly Drye & Warren, LLP, counsel to the petitioner in the LPTs from Korea proceeding) contacted the Department.<sup>7</sup> During this phone conversation, the representative expressed concern that subject merchandise produced by HHI may be entering the United States under the name “Hyundai Electric and energy Co., Ltd.,” that this merchandise may be subject to the antidumping duty order on LPTs from Korea, and may be entering at the “all-others” rate of 22 percent, rather than the 60.81 percent rate assigned to HHI in the 2014/2015 antidumping administrative review.<sup>8</sup>

In light of the information in HHI’s 2016 financial statements and the phone conversation discussed above, the Department had concerns as to whether (1) Hyundai Electric and energy Co., Ltd. may be entering subject merchandise produced by HHI into the United States and (2) merchandise entered by Hyundai Electric and energy Co., Ltd. is entering at the appropriate rate. Because Hyundai Electric and energy Co., Ltd. is a new entity, which has not been covered by a

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<sup>5</sup> *Id.* (citing HHI’s May 24, 2017, Questionnaire Response at Attachment 1). We note that HHI’s May 24, 2017, Questionnaire Response at Attachment 1 contains HHI’s 2016 unconsolidated financial statements named “Hyundai Heavy Industries Co., Ltd. Separate Financial Statements December 31, 2016” (HHI’s 2016 unconsolidated financial statements). Page 100 of HHI’s 2016 unconsolidated financial statements notes that Hyundai Electric and energy Co., Ltd. is a “{n}ewly established company by spin-off” and that HHI is a “{r}emaining company after spin-ff.” We also note that this attachment contains HHI’s 2016 consolidated financial statements named “Hyundai Heavy Industries Co., Ltd. and Subsidiaries Consolidated Financial Statements December 31, 2016” (HHI’s 2016 consolidated financial statements). The page 143 of HHI’s 2016 consolidated financial statements notes that Hyundai Electric and energy Co., Ltd. is a “{n}ewly established company by spin-off” and HHI is a “{r}emaining company after spin-off.” Both financial statements indicate that the date of spin-off is April 1, 2017.

<sup>6</sup> *Id.* (citing HHI’s May 24, 2017, Questionnaire Response at Attachment 1).

<sup>7</sup> See Memorandum to the File from Gary Taverman, Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations, performing the non-executive functions and duties of the Assistant Secretary for Enforcement and Compliance, regarding “Phone Call,” dated concurrently with this notice (Phone Call Memorandum).

<sup>8</sup> See Phone Call Memorandum.

prior administrative review or the original investigation, it does not have its own company-specific cash deposit rate.

To gather additional information regarding the above-referenced company (*i.e.*, Hyundai Electric and energy Co., Ltd.), the Department conducted a search of public information and found that Hyundai Electric & Energy System Co., Ltd., which has a similar name to the company identified in HHI's 2016 financial statements (*i.e.*, Hyundai Electric and energy Co., Ltd.), appears to be related to HHI and/or involved in the production and sales of power transformers.<sup>9</sup> Additionally, the Department conducted a query of CBP import data for entries of subject merchandise that entered the United States from the *Federal Register* publication date of the *2014/2015 Final Results* (*i.e.*, March 13, 2017) to October 31, 2017.<sup>10</sup> Because Hyundai Electric & Energy System Co., Ltd. has not been covered by a prior administrative review or the original investigation, it does not have its own company-specific cash deposit rate.

Based on (1) information contained in the CBP import data, (2) concerns that Hyundai Electric and energy Co., Ltd., may be entering merchandise produced by HHI, (3) public information indicating that Hyundai Electric & Energy System Co., Ltd., which has a name similar to that of the company identified in the above-referenced phone call, appears to be involved in the production/sales of power transformers, and (4) the fact that neither of these

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<sup>9</sup> See New Factual Information Placement Memorandum, at Attachment 2. We note that although the company name is slightly different (*i.e.*, "Hyundai Electric and energy Co., Ltd." from HHI's 2016 financial statements and "Hyundai Electric & Energy System Co., Ltd." from its website), the names are very similar and HHI's financial statements state that "Hyundai Electric and energy Co., Ltd." is a tentative name. According to the website, Hyundai Electric & Energy System Co., Ltd. was established on April 3, 2017, which is after the effective date of HHI's 2016 financial statements (*i.e.*, March 16, 2017) and the date of spin-off (*i.e.*, April 1, 2017) identified in HHI's 2016 financial statements. We also note that the website of "Hyundai Electric & Energy System Co., Ltd." states that "Hyundai Heavy Industries' Electric Systems Division . . . is making a fresh start as Hyundai Electric" and lists "Power Transformer" as one of its businesses. The history section of this website further indicates that Hyundai Electric & Energy System Co., Ltd. is engaged in the transformer business. In addition, under this website, HHI is listed as one of the "Family Site."

<sup>10</sup> See Memorandum, on the subject of "Release of U.S. Customs and Border Protection Import Data," dated currently with this notice (CBP Memorandum).

entities have their own company-specific cash deposit rate, there is a serious concern that entries made by either of these entities since the *2014/2015 Final Results* may include merchandise produced by HHI or otherwise may not be entering at the appropriate rate.

In accordance with the above-referenced statute and regulation, and based on the information obtained above, the Department finds that there is information which shows changed circumstances sufficient to warrant initiation of such a review to determine whether action is necessary to maintain the integrity of the *Order*. Therefore, the Department is self-initiating a changed circumstances review to determine the appropriate cash deposit rate for any merchandise entered by either Hyundai Electric and energy Co., Ltd. or Hyundai Electric & Energy System Co., Ltd. since the publication of the *2014/2015 Final Results*. This changed circumstances review may require an examination of whether these entities are a successor-in-interest to HHI or should be treated as a single entity with HHI pursuant to 19 CFR 351.401(f).

#### Public Comment

Interested parties may submit comments on the above-referenced information and the notice of initiation of this changed circumstances review by no later than 15 calendar days after the date of publication of this notice in the *Federal Register*.<sup>11</sup> Parties who wish to comment on the initiation of this changed circumstances review must file comments electronically *via* Enforcement and Compliance's Antidumping and Countervailing Duty Centralized Electronic Service System (ACCESS).<sup>12</sup> Access to ACCESS is available to registered users at <http://access.trade.gov> and is available to all parties in the Central Records Unit, Room B8024 of the main Department of Commerce building. An electronically filed document must be received

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<sup>11</sup> Or the next business day, if the deadline falls on a weekend, federal holiday or any other day when the Department is closed. *See* 19 CFR 351.303(b).

<sup>12</sup> *See* 19 CFR 351.303(b) and (f).

successfully in its entirety by ACCESS by 5:00 p.m. Eastern Time on the day on which it is due.<sup>13</sup>

#### Preliminary and Final Results of the Review

The Department intends to publish in the *Federal Register* a notice of the preliminary results of the antidumping duty changed circumstances review in accordance with 19 CFR 351.221(b)(4) and 351.221(c)(3)(i), which will set forth the Department's preliminary factual and legal conclusions. The Department will issue its final results of the changed circumstances review in accordance with the time limits set forth in 19 CFR 351.216(e). At the preliminary result of this review, if warranted based on the Department's analysis, we may instruct CBP as to the appropriate cash deposit rate.

#### Notification to Interested Parties

This notice is published in accordance with section 751(b)(1) of the Act and 19 CFR 351.221(b)(1).

Gary Taverman  
Deputy Assistant Secretary  
for Antidumping and Countervailing Duty Operations,  
performing the non-exclusive functions and duties of the  
Assistant Secretary for Enforcement and Compliance

Dated: November 28, 2017

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<sup>13</sup> See 19 CFR 351.303(b).

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