



A-570-032
Investigation
04/01/2015 - 09/30/2015
Public Document
ITA/E&C/Office IV: JDH

May 31, 2016

MEMORANDUM TO: Paul Piquado
Assistant Secretary
for Enforcement and Compliance

FROM: Christian Marsh 
Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations

SUBJECT: Decision Memorandum for the Preliminary Determination of the
Antidumping Duty Investigation of Certain Iron Mechanical
Transfer Drive Components from the People's Republic of China

SUMMARY

The Department of Commerce (the "Department") preliminarily determines that certain iron mechanical transfer drive components ("IMTDC") from the People's Republic of China ("PRC") are being, or are likely to be, sold in the United States at less than fair value ("LTFV"), as provided in section 733 of the Tariff Act of 1930, as amended (the "Act"). The period of investigation ("POI") is April 1, 2015, through September 30, 2015. The estimated margins of sales at LTFV are shown in the "Preliminary Determination" section of the accompanying *Federal Register* notice.

BACKGROUND

On October 28, 2015, the Department received antidumping duty ("AD") and countervailing duty petitions concerning imports of IMTDC from the PRC, and an AD petition concerning imports from Canada, filed in proper form on behalf of TB Wood's Incorporated ("Petitioner").¹ The Department published the initiation of these LTFV investigations on November 25, 2015.² On December 18, 2015, the U.S. International Trade Commission ("ITC") published its preliminary determination in which it determined that there is a reasonable indication that an

¹ See Letter from Petitioner to the Secretary of Commerce "Petitions for the Imposition of Antidumping and Countervailing Duties: Certain Iron Mechanical Transfer Drive Components from Canada and the People's Republic of China," dated October 28, 2015 (the "Petitions").

² See *Certain Iron Mechanical Transfer Drive Components from Canada and The People's Republic of China: Initiation of Less-Than-Fair-Value Investigations*, 80 FR 73716 (November 25, 2015) ("Initiation Notice").



industry in the United States is materially injured by reason of imports of IMTDC from the PRC and Canada.³

On November 18, 2015, the Department issued quantity and value (“Q&V”) questionnaires to the 36 companies identified in the Petition.⁴ On December 18, 2015, in accordance with section 777A(c)(2)(B) of the Act, the Department selected the two exporters accounting for the largest volume of IMTDC from the PRC during the POI (*i.e.*, NOK (Wuxi) Vibration Control China Co. Ltd. (“NVCC”) and Powermach Import & Export Co., Ltd. (Sichuan) (“Powermach”)) as mandatory respondents.⁵

On December 21, 2015, the Department issued its AD questionnaire to NVCC and Powermach, which responded to the questionnaire in January and February 2016.⁶ Moreover, from March 2016 to May 2016, the Department issued, and NVCC and Powermach responded to, supplemental questionnaires.⁷ Petitioner submitted comments on respondents’ questionnaire and supplemental questionnaire responses from February 2016, to May 2016.

³ See *Certain Iron Mechanical Transfer Drive Components from Canada and China*, Investigation Nos. 701-TA-550 & 731-TA-1304-1305 (Preliminary), Publication 4587 (December 2015) (“ITC Preliminary Determination”); see also *Certain Iron Mechanical Transfer Drive Components from Canada and China*, 80 FR 79095 (December 18, 2015).

⁴ See Memorandum to the File from Maisha Cryor, Case Analyst, through Robert Bolling, Program Manager, regarding “Quantity and Value Questionnaire: Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China,” dated November 19, 2015.

⁵ See Memorandum from Robert Bolling Program Manager, Office IV, Antidumping and Countervailing Duty Operations through Abdelali Elouaradia Director, Office IV, Antidumping and Countervailing Duty Operations to Gary Taverman, Associate Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations “Antidumping Duty Investigation of Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China: Respondent Selection Respondent Selection Memorandum,” dated December 18, 2015 (“Respondent Selection Memorandum”).

⁶ See Letter from NVCC to the Secretary of Commerce “Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China: Response to the Department’s Section A Questionnaire,” dated January 19, 2016 (“NVCC’s Section A Response”); see also letter from Powermach to the Secretary of Commerce “Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China: Response to Section A,” dated January 19, 2016 (“Powermach’s Section A Response”); see also letter from Powermach to the Secretary of Commerce “Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China: Refiling of Part 1 (BPI Version) of Powermach’s Section A Questionnaire Response,” dated January 21, 2016; see also letter NVCC to the Secretary of Commerce “Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China: Response to the Department’s Sections C and D of the Original Questionnaire,” dated February 11, 2016; see also letter from Powermach to the Secretary of Commerce “Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China: Section C and D Questionnaire Response,” dated February 12, 2016 (“Powermach’s Sections CD Response”); see also letter from NVCC to the Secretary of Commerce “Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China: Response to the Department’s Sections C and D of the Original Questionnaire: Reconciliations,” dated February 17, 2016.

⁷ See letter from Powermach to the Secretary of Commerce “Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China: Section A Supplemental Questionnaire Response,” dated March 15, 2016; see also letter from NVCC to the Secretary of Commerce “Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China: Response to the Department’s Section A Supplemental Questionnaire,” dated March 21, 2016; see also letter from Powermach to the Secretary of Commerce “Certain Iron Transfer Drive Components from the People’s Republic of China: Response to Section A Questions of the Department of Commerce’s March 15, 2016 Sections C and D Supplemental Questionnaire,” dated March 28, 2016; see also letter from NVCC to the Secretary of Commerce “Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China: Response to the Department’s Section A Supplemental Questionnaire,” dated March 29, 2016; see also letter from NVCC to the Secretary of Commerce “Certain Iron Mechanical Transfer Drive Components

The Department received timely separate rate applications (“SRA”) from nine companies. From February 2016, and May 2016, the Department issued, and received responses to, separate rate supplemental questionnaires.

On February 11, 2016, the Department placed on the record a list of potential surrogate countries. From February 2016, to May 2016, Petitioner, NVCC, and Powermach filed comments and rebuttal comments regarding the selection of a surrogate country and surrogate values (“SV”).

From December 15, 2015, to May 17 2016, the Department received comments on the scope of the investigation from multiple interested parties. On April 11, 2016 and May 31, 2016, the Department preliminarily adopted amendments to the scope proposed by Petitioner excluding certain products. On April 19, 2016, NVCC withdrew from participation as a mandatory respondent in the investigation.⁸

from the People's Republic of China: *Response to Question 17 of the Department's Section A Supplemental Questionnaire*,” dated April 1, 2016; *see also* letter from Powermach to the Secretary of Commerce “Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China: Response to Section C Questions of the Department of Commerce’s March 15, 2016 Sections C and D Supplemental Questionnaire,” dated April 4, 2016; *see also* letter from NVCC to the Secretary of Commerce “Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China: Response to Department’s Sections C and D Supplemental Questionnaires,” dated April 11, 2016; *see also* letter from Powermach to the Secretary of Commerce “Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China: Response to Section D Questions of the Department of Commerce’s March 15, 2016 Sections C and D Supplemental Questionnaire,” dated April 11, 2016 (“Powermach April 11, 2016, Response”); *see also* letter from Powermach to the Secretary of Commerce “Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China: Response to the Department of Commerce’s April 1, 2016 Second Section A Supplemental Questionnaire,” dated April 14, 2016; *see also* letter from Powermach to the Secretary of Commerce “Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China: Response to the Department of Commerce’s April 27, 2016 Supplemental Questionnaire,” dated May 6, 2016; *see also* letter from Powermach to the Secretary of Commerce “Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China: Response to the Department of Commerce’s May 5, 2016 Supplemental Questionnaire,” dated May 17, 2016 (“Powermach Response to DOC May 5, 2016 Questionnaire”); *see also* letter from Powermach to the Secretary of Commerce “Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China: Response to the Department of Commerce’s May 11, 2016 Supplemental Questionnaire,” dated May 17, 2016 (“Powermach Response to DOC May 11, 2016 Questionnaire”); *see also* letter from Powermach to the Secretary of Commerce “Certain Iron Mechanical Transfer Drive Components from the People's Republic of China: Supplement to Response to the Department of Commerce's May 5, 2016 Supplemental Questionnaire,” dated May 19, 2016 (“Powermach May 19, 2016, Response”).

⁸ *See* Letter from NVCC to the Secretary of Commerce “Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China: Withdrawal from Investigations,” dated April 19, 2016 (“NVCC Non-Participation Letter”) in which NVCC stated that “Based on this new scope exclusion language, NVCC’s exports of subject merchandise to the United States have dropped significantly and NVCC believes that it should no longer be considered a mandatory respondent, and requests that the Department treat NVCC as a nonmandatory respondent going forward.” NVCC further stated that “In the event that the Department does not revoke NVCC’s mandatory respondent status, because NVCC primarily exports only TVDs that fit the description of this scope exclusion language, NVCC has determined that its continued participation in these ongoing investigations will not be in its best business interests. Therefore, under these circumstances, NVCC respectfully withdraws from participation as a mandatory respondent in these ongoing investigations.”

On January 27, 2016, the Department tolled all deadlines for four business days due to the Government closure during Snowstorm “Jonas.”⁹ Furthermore, on March 10, 2016, pursuant to section 733(c)(1)(A) of the Act and 19 CFR 351.205(b)(2), the Department published a 50-day postponement of the preliminary AD determination on IMTDC from the PRC. Accordingly, the revised deadline for this preliminary determination is May 31, 2016.¹⁰

The Department is conducting this investigation in accordance with section 733(b) of the Act.

SELECTION OF RESPONDENTS

Section 777A(c)(1) of the Act directs the Department to calculate an individual weighted average dumping margin for each known exporter and producer of the subject merchandise. However, section 777A(c)(2) of the Act gives the Department discretion to limit its examination to a reasonable number of exporters and producers if it is not practicable to make individual weighted average dumping margin determinations because of the large number of exporters and producers involved in the investigation. Pursuant to section 777A(c)(2) of the Act, the Department may limit its examination to: (A) a sample of exporters, producers or types of products that the Department determines is statistically valid based on the information available to the Department at the time of selection, or (B) exporters and producers accounting for the largest volume of the subject merchandise from the exporting country that the Department determines can be reasonably examined. In selecting respondents in this AD proceeding, the Department found that, given its limited resources, it was most appropriate to select respondents that account for the largest volume of the subject merchandise that can reasonably be examined, pursuant to section 777A(c)(2)(B) of the Act.

In the *Initiation Notice*, the Department stated its intent to base respondent selection on the responses to Q&V questionnaires.¹¹ On November 18, 2015, the Department issued the Q&V questionnaire to the 36 companies identified in the Petition.¹² In addition, the Department posted the Q&V questionnaire on its website and, in the *Initiation Notice*, invited parties that did not receive a Q&V questionnaire from the Department to file a response to the Q&V questionnaire by the applicable deadline if they wished to be included in the pool of companies from which the Department would select mandatory respondents.¹³ We received 12 timely Q&V questionnaire responses.

⁹ See Memorandum to: the Record “Tolling of Administrative Deadlines as a Result of the Government Closure during Snowstorm “Jonas,” dated January 27, 2016.

¹⁰ See *Certain Iron Mechanical Transfer Drive Components from Canada and the People's Republic of China: Postponement of Preliminary Determinations of Antidumping Duty Investigations*, 81 FR 12687 (March 10, 2016).

¹¹ See Initiation Notice 73720; see also Volume I of the Petitions at Exhibit I-11; see also letter from Petitioner to the Secretary of Commerce “Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China: Response to the Department’s November 6, 2015 Supplemental Questions Regarding Volume I of the Petition for the Imposition of Antidumping and Countervailing Duties,” dated November 10, 2015.

¹² See Memorandum to the File from Maisha Cryor, Case Analyst, through Robert Bolling, Program Manager, regarding “Quantity and Value Questionnaire: Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China,” dated November 19, 2015.

¹³ See *Initiation Notice* 73720.

On December 18, 2015, the Department limited the number of respondents selected for individual examination to the two exporters accounting for the largest volume of exports from the PRC to the United States during the POI that could be reasonably examined (*i.e.*, NVCC and Powermach).¹⁴ As noted above, NVCC withdrew from participation as a mandatory respondent in the investigation.¹⁵

PERIOD OF INVESTIGATION

The POI is April 1, 2015, through September 30, 2015. This period corresponds to the two most recent fiscal quarters prior to the month of the filing of the petition, which was October 2015.¹⁶

POSTPONEMENT OF FINAL DETERMINATION AND EXTENSION OF PROVISIONAL MEASURES

On May 5, 2016, pursuant to 19 CFR 351.210(b)(2)(ii), Powermach requested that the Department postpone its final determination, and requested that the Department extend the application of the provisional measures prescribed under section 733(d) of the Act and 19 CFR 351.210(e)(2), from a four-month period to a period not to exceed six months.¹⁷ On May 16, 2016, Petitioner requested that the Department postpone the final determination in the event that it makes a negative preliminary determination.¹⁸ Further, on May 17, 2016, NVCC also requested that the Department postpone its final determination and requested that the Department extend the application of the provisional measures prescribed under section 733(d) of the Act and 19 CFR 351.210(e)(2), from a four-month period to a period not to exceed six months.¹⁹ In accordance with section 735(a)(2)(A) of the Act and 19 CFR 351.210(b)(2)(ii) and (e)(2), because: 1) our preliminary determination is affirmative, 2) the requesting exporters account for a significant proportion of exports of the subject merchandise,²⁰ and 3) no compelling reasons for denial exist, we are granting respondents' requests and are postponing the final determination until no later than 135 days after the publication of the preliminary determination notice in the *Federal Register*. In this regard, the aforementioned parties submitted requests to extend the provisional measures,²¹ and we are extending provisional measures from four months to a period not to exceed six months. Suspension of liquidation will be extended accordingly.

¹⁴ See Respondent Selection Memorandum.

¹⁵ See NVCC Non-Participation Letter.

¹⁶ See 19 CFR 351.204(b)(1).

¹⁷ See Letter from Powermach to the Secretary of Commerce "Certain Iron Mechanical Transfer Drive Components from the People's Republic of China: Request for Extension of Final Determination," dated May 5, 2016 ("Powermach Extension Request").

¹⁸ See Letter from Petitioner to the Secretary of Commerce "Certain Iron Mechanical Transfer Drive Components from Canada and the People's Republic of China: Petitioner's Request to Extend the Final Determinations," dated May 16, 2016.

¹⁹ See Letter from NVCC to the Secretary of Commerce "Iron Mechanical Transfer Drive Components from the People's Republic of China: Request to Postpone Final Determination," dated May 17, 2016 ("NVCC Extension Request").

²⁰ See Memorandum from Abdelali Elouaradia, Office Director, Office IV, Antidumping and Countervailing Duty Operations to Christian Marsh, Associate Assistant Secretary, Antidumping and Countervailing Duty Operations "Antidumping Duty Investigation of Certain Iron Mechanical Transfer Drive Components from the People's Republic of China: Respondent Selection" (December 18, 2016) ("Respondent Selection Memo").

²¹ See 19 CFR 351.210(e)(2); see also Powermach Extension Request and NVCC Extension Request.

SCOPE COMMENTS

In accordance with the *Preamble* to the Department's regulations,²² in our *Initiation Notice* we set aside a period of time until December 7, 2015 for parties to comment on product coverage and matching characteristics.²³ On November 25, 2015, the Department revised the due date for scope and rebuttal scope comments to December 15, 2015, and December 28, 2015, respectively. On December 15, 2015, the Department received timely scope comments from NVCC, Caterpillar Inc. ("Caterpillar"), and Baldor Electric Company and Baldor Electric Company Canada ("Baldor").²⁴ On December 21, 2015 the Department received timely rebuttal comments from Petitioner regarding NVCC's products.²⁵ Finally, on December 28, 2015, Petitioner, Baldor, NVCC, and Vibracoustic North America LP ("Vibracoustic") submitted rebuttal scope comments.²⁶ On April 28, 2016, the Department issued a request for additional information on the scope of this investigation.²⁷

In May 2016, Petitioner, Caterpillar, NVCC, and Vibracoustic, filed information, and rebuttal information, in response to the Department's request.

On March 30, 2016, Petitioner filed an amendment to the scope of the investigation to exclude certain finished torsional vibration dampers ("TVD").²⁸ Furthermore, on May 16, 2016,

²² See *Antidumping Duties; Countervailing Duties*, 62 FR 27296, 27323 (May 19, 1997) ("*Preamble*").

²³ See *Initiation Notice*, 80 FR at 73716 - 73717.

²⁴ See Letter from NVCC to the Secretary of Commerce "Certain Iron Mechanical Transfer Drive Components from the People's Republic of China: Comments on Scope," dated December 12, 2015 (NVCC Scope Comments"); see also letter from Caterpillar to the Secretary of Commerce "Certain Iron Mechanical Transfer Drive Components from Canada and the People's Republic of China: Caterpillar's Scope Comments and Request for Confirmation of Scope Exclusion," dated December 15, 2015 ("Caterpillar Scope Comments"); see also letter from Baldor to the Secretary of Commerce "Certain Iron Mechanical Transfer Drive Components from Canada and the People's Republic of China - Baldor's Comments on Scope of Investigation," dated December 15, 2015 ("Baldor Scope Comments").

²⁵ See Letter from Petitioner to the Secretary of Commerce "Certain Iron Mechanical Transfer Drive Components from Canada and the People's Republic of China: Petitioner's Rebuttal to NVCC's Scope Comments," dated December 21, 2015 (Petitioner's NVCC Comments").

²⁶ See Letter from Petitioner to the Secretary of Commerce "Certain Iron Mechanical Transfer Drive Components from Canada and the People's Republic of China: Petitioner's Rebuttal to Baldor's and Caterpillar's Scope Comments," dated December 28, 2015 (Petitioner's Baldor and Caterpillar Comments"); see also letter from Baldor to the Secretary of Commerce "Certain Iron Mechanical Transfer Drive Components from Canada and the People's Republic of China Baldor's Rebuttal Comments on Scope Definition," dated December 28, 2015 ("Baldor Rebuttal Comments"); see also letter from NVCC to the Secretary of Commerce "Certain Iron Mechanical Transfer Drive Components from the People's Republic of China: Rebuttal to Petitioner's Rebuttal Comments of Scope," dated December 28, 2015 ("NVCC Rebuttal Comments"); see also letter from Vibracoustic to the Secretary of Commerce "Certain Iron Mechanical Transfer Drive Components (IMTDC) from Canada and China: Notice of Appearance," dated December 28, 2015 ("Vibracoustic Scope Comments").

²⁷ See Letter from Howard Smith, Program Manager, AD/CVD Operations, Office IV, Enforcement & Compliance to All Interested Parties, "Antidumping and Countervailing Duty Investigations of Iron Mechanical Transfer Drive Components from the People's Republic of China and Antidumping Duty Investigation of Iron Mechanical Transfer Drive Components from Canada: Request for Information Regarding the Scope of the Investigations," dated April 28, 2016.

²⁸ See Letter from Petitioner to the Secretary of Commerce "Certain Iron Mechanical Transfer Drive Components from Canada and the People's Republic of China: Petitioner's Amendment to the Scope," dated March 30, 2016.

Petitioner filed an additional amendment to the scope to exclude certain light-duty, fixed-pitch, non-synchronous sheaves; certain light duty, variable-pitch, non-synchronous sheaves; and certain bushings.²⁹ On April 11, 2016 and May 31, 2016, respectively, the Department preliminarily accepted, and incorporated into the scope, these scope amendments.³⁰

For a full discussion of all scope comments, *see* Scope Memorandum.³¹

SCOPE OF THE INVESTIGATION

The products covered by this investigation are iron mechanical transfer drive components, whether finished or unfinished (*i.e.*, blanks or castings). Subject iron mechanical transfer drive components are in the form of wheels or cylinders with a center bore hole that may have one or more grooves or teeth in their outer circumference that guide or mesh with a flat or ribbed belt or like device and are often referred to as sheaves, pulleys, flywheels, flat pulleys, idlers, conveyer pulleys, synchronous sheaves, and timing pulleys. The products covered by this investigation also include bushings, which are iron mechanical transfer drive components in the form of a cylinder and which fit into the bore holes of other mechanical transfer drive components to lock them into drive shafts by means of elements such as teeth, bolts, or screws.

Iron mechanical transfer drive components subject to this investigation are those not less than 4.00 inches (101 mm) in the maximum nominal outer diameter.

Unfinished iron mechanical transfer drive components (*i.e.*, blanks or castings) possess the approximate shape of the finished iron mechanical transfer drive component and have not yet been machined to final specification after the initial casting, forging or like operations. These machining processes may include cutting, punching, notching, boring, threading, mitering, or chamfering.

Subject merchandise includes iron mechanical transfer drive components as defined above that have been finished or machined in a third country, including but not limited to finishing/machining processes such as cutting, punching, notching, boring, threading, mitering, or chamfering, or any other processing that would not otherwise remove the merchandise from the scope of the investigation if performed in the country of manufacture of the iron mechanical transfer drive components.

²⁹ *See* Letter from Petitioner to the Secretary of Commerce “Certain Iron Mechanical Transfer Drive Components from Canada and the People’s Republic of China: Petitioner’s Additional Amendment to the Scope,” dated May 16, 2016.

³⁰ *See* Memorandum from Abdelali Elouaradia, Director, Office IV, Antidumping and Countervailing Duty Operations to Christian Marsh, Deputy Assistant Secretary, Antidumping and Countervailing Duty Operations “Certain Iron Mechanical Transfer Drive Components from Canada and the People’s Republic of China: Scope Comments Regarding Exclusion of Certain Finished Torsional Vibration Dampers,” dated April 11, 2016 (“Scope Amendment”).

³¹ *See* Letter from Abdelali Elouaradia, Office Director, Office IV, Antidumping and Countervailing Duty Operations to Christian Marsh, Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations “Certain Iron Mechanical Transfer Drive Components from Canada and the People’s Republic of China: Scope Comments Decision Memorandum for the Preliminary Determinations,” dated concurrently with this memorandum (“Scope Memorandum”).

Subject iron mechanical transfer drive components are covered by the scope of the investigation regardless of width, design, or iron type (*e.g.*, gray, white, or ductile iron). Subject iron mechanical transfer drive components are covered by the scope of the investigation regardless of whether they have non-iron attachments or parts and regardless of whether they are entered with other mechanical transfer drive components or as part of a mechanical transfer drive assembly (which typically includes one or more of the iron mechanical transfer drive components identified above, and which may also include other parts such as a belt, coupling and/or shaft). When entered as a mechanical transfer drive assembly, only the iron components that meet the physical description of covered merchandise are covered merchandise, not the other components in the mechanical transfer drive assembly (*e.g.*, belt, coupling, shaft). For purposes of this investigation, a covered product is of “iron” where the article has a carbon content of 1.7 percent by weight or above, regardless of the presence and amount of additional alloying elements.

Excluded from the scope are finished torsional vibration dampers (TVDs). A finished TVD is an engine component composed of three separate components: an inner ring, a rubber ring and an outer ring. The inner ring is an iron wheel or cylinder with a bore hole to fit a crank shaft which forms a seal to prevent leakage of oil from the engine. The rubber ring is a dampening medium between the inner and outer rings that effectively reduces the torsional vibration. The outer ring, which may be made of materials other than iron, may or may not have grooves in its outer circumference. To constitute a finished excluded TVD, the product must be composed of each of the three parts identified above and the three parts must be permanently affixed to one another such that both the inner ring and the outer ring are permanently affixed to the rubber ring. A finished TVD is excluded only if it meets the physical description provided above; merchandise that otherwise meets the description of the scope and does not satisfy the physical description of excluded finished TVDs above is still covered by the scope of the investigation regardless of end use or identification as a TVD.

The scope also excludes light-duty, fixed-pitch, non-synchronous sheaves (“excludable LDFPN sheaves”) with each of the following characteristics: made from grey iron designated as ASTM (North American specification) Grade 30 or lower, GB/T (Chinese specification) Grade HT200 or lower, DIN (German specification) GG 20 or lower, or EN (European specification) EN-GJL 200 or lower; having no more than two grooves; having a maximum face width of no more than 1.75 inches, where the face width is the width of the part at its outside diameter; having a maximum outside diameter of not more than 18.75 inches; and having no teeth on the outside or datum diameter. Excludable LDFPN sheaves must also either have a maximum straight bore size of 1.6875 inches with a maximum hub diameter of 2.875 inches; or else have a tapered bore measuring 1.625 inches at the large end, a maximum hub diameter of 3.50 inches, a length through tapered bore of 1.0 inches, exactly two tapped holes that are 180 degrees apart, and a 2.0- inch bolt circle on the face of the hub. Excludable LDFPN sheaves more than 6.75 inches in outside diameter must also have an arm or spoke construction.³² Further, excludable LDFPN sheaves must have a groove profile as indicated in the table below:

³² An arm or spoke construction is where arms or spokes (typically 3 to 6) connect the outside diameter of the sheave with the hub of the sheave. This is in contrast to a block construction (in which the material between the hub and the outside diameter is solid with a uniform thickness that is the same thickness as the hub of the sheave) or a

Size (belt profile)	Outside Diameter	Top Width Range of Each Groove	Maximum Height	Angle
MA/AK (A, 3L, 4L)	≤ 5.45 in.	0.484 – 0.499 in.	0.531 in.	34°
MA/AK (A, 3L, 4L)	>5.45 in. but ≤ 18.75 in.	0.499 – 0.509 in.	0.531 in.	38°
MB/BK (A, B, 4L, 5L)	≤ 7.40 in.	0.607 – 0.618 in.	0.632 in.	34°
MB/BK (A, B, 4L, 5L)	>7.40 in. but ≤ 18.75 in.	0.620 – 0.631 in.	0.635 in.	38°

In addition to the above characteristics, excludable LDFPN sheaves must also have a maximum weight (pounds-per-piece) as follows: for excludable LDFPN sheaves with one groove and an outside diameter of greater than 4.0 inches but less than or equal to 8.0 inches, the maximum weight is 4.7 pounds; for excludable LDFPN sheaves with two grooves and an outside diameter of greater than 4.0 inches but less than or equal to 8.0 inches, the maximum weight is 8.5 pounds; for excludable LDFPN sheaves with one groove and an outside diameter of greater than 8.0 inches but less than or equal to 12.0 inches, the maximum weight is 8.5 pounds; for excludable LDFPN sheaves with two grooves and an outside diameter of greater than 8.0 inches but less than or equal to 12.0 inches, the maximum weight is 15.0 pounds; for excludable LDFPN sheaves with one groove and an outside diameter of greater than 12.0 inches but less than or equal to 15.0 inches, the maximum weight is 13.3 pounds; for excludable LDFPN sheaves with two grooves and an outside diameter of greater than 12.0 inches but less than or equal to 15.0 inches, the maximum weight is 17.5 pounds; for excludable LDFPN sheaves with one groove and an outside diameter of greater than 15.0 inches but less than or equal to 18.75 inches, the maximum weight is 16.5 pounds; and for excludable LDFPN sheaves with two grooves and an outside diameter of greater than 15.0 inches but less than or equal to 18.75 inches, the maximum weight is 26.5 pounds.

The scope also excludes light-duty, variable-pitch, non-synchronous sheaves with each of the following characteristics: made from grey iron designated as ASTM (North American specification) Grade 30 or lower, GB/T (Chinese specification) Grade HT200 or lower, DIN (German specification) GG 20 or lower, or EN (European specification) EN-GJL 200 or lower; having no more than 2 grooves; having a maximum overall width of less than 2.25 inches with a single groove, or of 3.25 inches or less with two grooves; having a maximum outside diameter of not more than 7.5 inches; having a maximum bore size of 1.625 inches; having either one or two identical, internally-threaded (*i.e.*, with threads on the inside diameter), adjustable (rotating) flange(s) on an externally-threaded hub (*i.e.*, with threads on the outside diameter) that enable(s) the width (opening) of the groove to be changed; and having no teeth on the outside or datum diameter.

The scope also excludes certain IMTDC bushings. An IMTDC bushing is excluded only if it has a tapered angle of greater than or equal to 10 degrees, where the angle is measured between one outside tapered surface and the directly opposing outside tapered surface.

web construction (in which the material between the hub and the outside diameter is solid but is thinner than at the hub of the sheave).

The merchandise covered by this investigation is currently classifiable under Harmonized Tariff Schedule of the United States (“HTSUS”) subheadings 8483.30.8090, 8483.50.6000, 8483.50.9040, 8483.50.9080, 8483.90.3000, 8483.90.8080. Covered merchandise may also enter under the following HTSUS subheadings: 7325.10.0080, 7325.99.1000, 7326.19.0010, 7326.19.0080, 8431.31.0040, 8431.31.0060, 8431.39.0010, 8431.39.0050, 8431.39.0070, 8431.39.0080, and 8483.50.4000. These HTSUS subheadings are provided for convenience and customs purposes. The written description of the scope of the investigation is dispositive.

PRODUCT CHARACTERISTICS

In the *Initiation Notice*, we set aside a period of time for parties to raise issues regarding product characteristics. Between December 7, 2015, and February 4, 2016, Petitioner and Baldor each submitted comments and rebuttal comments to the Department regarding the physical characteristics of the merchandise under consideration to be used for reporting purposes.³³ After considering the comments that were submitted, the Department identified the following eight criteria for matching U.S. sales of subject merchandise to normal value (“NV”): product type, mounting type, iron type, datum diameter, face thickness, type of grooves, type of pitch, and coating. These criteria were included in a January 19, 2016 letter to all interested parties.³⁴

³³ See Letter from Petitioner to the Secretary of Commerce “Certain Iron Mechanical Transfer Drive Components from Canada and the People’s Republic of China: Petitioner’s Comments on Product Characteristics,” dated December 7, 2015 (“Petitioner’s Product Characteristics Comments”); see also letter from Petitioner to the Secretary of Commerce “Certain Iron Mechanical Transfer Drive Components from Canada and the People’s Republic of China: Petitioner’s Comments on Ranged Data for Product Characteristics,” dated February 2, 2016 (“Petitioner’s Ranging Comments”); see also letter from Petitioner to the Secretary of Commerce “Certain Iron Mechanical Transfer Drive Components from Canada and the People’s Republic of China: Petitioner’s Rebuttal Comments on Ranged Data for Product Characteristics,” dated February 4, 2016 (“Petitioner’s Ranging Rebuttal”); see also letter from Baldor to the Secretary of Commerce “Certain Iron Mechanical Transfer Drive Components from Canada and the People’s Republic of China - Baldor Electric Canada’s Response to Petitioner’s Product Matching Comments,” dated December 14, 2015 (“Baldor Rebuttal Comments”); see also letter from Baldor to the Secretary of Commerce “Antidumping Investigations of Certain Iron Mechanical Transfer Drive Components from Canada and the People’s Republic of China - Baldor Canada’s Response to Department’s Request for Comments on Use of Ranges in Reporting Datum Diameter and Face Width,” dated February 2, 2016 (“Baldor Ranging Comments”); see also letter from Baldor to the Secretary of Commerce “Antidumping Investigations of Certain Iron Mechanical Transfer Drive Components from Canada and the People’s Republic of China - Baldor Canada’s Response to Petitioner’s Comments on Department’s Use of Ranges in Reporting Datum Diameter and Face Width,” dated February 4, 2016 (“Baldor’s Ranging Rebuttal”).

³⁴ See Letter from Robert Bolling, Program Manager, AD/CVD Operations, Office IV to All Interested Parties “Product Characteristics for Use in Sections B, C, and D Questionnaire Responses,” dated January 19, 2016.

DISCUSSION OF THE METHODOLOGY

Non-Market Economy Country

The Department considers the PRC to be a non-market economy (“NME”) country.³⁵ In accordance with section 771(18)(C)(i) of the Act, any determination that a foreign country is an NME country shall remain in effect until revoked by the administering authority. Therefore, we continue to treat the PRC as an NME country for purposes of this preliminary determination.

Surrogate Country and Surrogate Value Comments

When the Department is investigating imports from an NME country, section 773(c)(1) of the Act directs it to base normal value (“NV”), in most circumstances, on the NME producer’s factors of production (FOPs), valued in a surrogate market economy (“ME”) country or countries considered to be appropriate by the Department. Specifically, in accordance with section 773(c)(4) of the Act, in valuing the FOPs, the Department shall utilize, “to the extent possible, the prices or costs of {FOPs} in one or more ME countries that are— (A) at a level of economic development comparable to that of the {NME} country; and (B) significant producers of comparable merchandise.”³⁶ As a general rule, the Department selects a surrogate country that is at the level of economic development of the NME unless it is determined that none of the countries are viable options because: (a) they either are not significant producers of comparable merchandise, (b) do not provide sufficient reliable sources of publicly available SV data, or (c) are not suitable for use based on other reasons. Surrogate countries that are not at the level of economic development of the NME country, but still at a level of economic development comparable to the NME country, are selected only to the extent that data considerations outweigh the difference in levels of economic development.³⁷ To determine which countries are at the level of economic development of the NME, the Department generally relies on per capita gross national income (“GNI”) data from the World Bank’s World Development Report.³⁸ Further, the Department normally values all FOPs in a single surrogate country.³⁹

On February 4, 2016, the Department identified Bulgaria, Ecuador, Mexico, Romania, South Africa, and Thailand as countries that are at the level of economic development of the PRC based on per capita 2014 GNI data.⁴⁰ On February 11, 2016, the Department issued a letter to

³⁵ See, e.g., *Certain Kitchen Appliance Shelving and Racks From the People’s Republic of China: Preliminary Results of the First Administrative Review, Preliminary Rescission, in Part, and Extension of Time Limits for the Final Results*, 76 FR 62765, 62767-68 (October 11, 2011), unchanged in *Certain Kitchen Appliance Shelving and Racks From the People’s Republic of China: Final Results and Partial Rescission of First Antidumping Duty Administrative Review*, 77 FR 21734 (April 11, 2012).

³⁶ For a description of our practice see Department Policy Bulletin No. 04.1: Non-Market Economy Surrogate Country Selection Process (March 1, 2004) (Policy Bulletin 04.1) available on the Department’s website at <http://enforcement.trade.gov/policy/bull04-1.html>.

³⁷ See Letter from Howard Smith, Program Manager, AD/CVD Operations, Office IV, Enforcement and Compliance to All Interested Parties “Less Than Fair Value Investigation of Iron Mechanical Transfer Drive Components from the People’s Republic of China: Request for Surrogate Country and Surrogate Value Comments and Information,” dated February 11, 2016 (“Surrogate Country Memorandum”).

³⁸ *Id.*

³⁹ See 19 CFR 351.408(c)(2).

⁴⁰ See Surrogate Country Memorandum at Attachment I.

interested parties soliciting comments on the list of countries that the Department determined, based on per capita 2014 GNI, to be at the level of economic development of the PRC, the selection of the primary surrogate country, as well as providing deadlines for the consideration of any submitted SV information for the preliminary determination.⁴¹

On February 25, 2016, Petitioner, NVCC, and Powermach submitted timely comments on the proposed list of countries.⁴² On March 3, 2016, Petitioners, NVCC, and Powermach submitted SV information. Petitioner, NVCC, and Powermach submitted SV data for Thailand.⁴³ On March 17, 2016, Petitioners, NVCC, and Powermach submitted rebuttal comments on SVs.⁴⁴ On May 2, 2016, Petitioner placed additional surrogate value information on the record.⁴⁵ On May 12, 2016, Powermach submitted rebuttal SV information in response to Petitioner's May 2, 2016, SV comments.⁴⁶ Additionally, and also at the request of the Department, from May 17, 2016 to May 20, 2016, Petitioner and Powermach submitted additional surrogate value information.⁴⁷

⁴¹ See Surrogate Country Memorandum.

⁴² See Letter from Petitioner to the Secretary of Commerce from Petitioners "Certain Iron Mechanical Transfer Drive Components from the People's Republic of China: Petitioner's Surrogate Country Comments," dated February 25, 2016 ("Petitioner's SC Comments"); see also letter from NVCC to the Secretary of Commerce "Certain Iron Mechanical Transfer Drive Components from the People's Republic of China: Response to Request for Surrogate Country Comments," dated February 25, 2016 ("NVCC's SC Comments"); see also letter from Powermach "Certain Iron Mechanical Transfer Drive Components from the People's Republic of China: Surrogate Country Comments," dated February 25, 2016.

⁴³ See Letter from Petitioner to the Secretary of Commerce "Certain Iron Mechanical Transfer Drive Components from the People's Republic of China: Petitioner's Initial Surrogate Value Comments" dated March 3, 2016 ("Petitioner's SV Comments"); see also letter from NVCC to the Secretary of Commerce "Certain Iron Mechanical Transfer Drive Components from the People's Republic of China: Response to Request for Surrogate Value Comments," dated March 3, 2016 ("NVCC's SV Comments"); see also letter from Powermach to the Secretary of Commerce "Certain Iron Mechanical Transfer Drive Components from the People's Republic of China: Surrogate Value Comments," dated March 3, 2016 ("Powermach's SV Comments").

⁴⁴ See Letter from Petitioner to the Secretary of Commerce from Petitioners "Certain Iron Mechanical Transfer Drive Components from the People's Republic of China: Petitioner's Rebuttal Surrogate Value Comments," dated March 17, 2016 ("Petitioner's Rebuttal SV Comments"); see also letter from NVCC to the Secretary of Commerce "Certain Iron Mechanical Transfer Drive Components from the People's Republic of China: Rebuttal Surrogate Value Comments," dated March 17, 2016; see also letter from Powermach to the Secretary of Commerce "Certain Iron Mechanical Transfer Drive Components from the People's Republic of China: Surrogate Value Rebuttal Comments," dated March 17, 2016.

⁴⁵ See Letter from Petitioner to the Secretary of Commerce "Certain Iron Mechanical Transfer Drive Components from the People's Republic of China: Petitioner's Second Submission of Surrogate Value Information," dated May 2, 2016 ("Petitioner's May 2, 2016, SV comments").

⁴⁶ See Letter from Powermach to the Secretary of Commerce "Certain Iron Mechanical Transfer Drive Components from the People's Republic of China: Rebuttal to Petitioner's May 2, 2016 Second Submission of Surrogate Value Information," dated May 12, 2016.

⁴⁷ See Letter from Powermach to the Secretary of Commerce "Certain Iron Mechanical Transfer Drive Components from the People's Republic of China: Submission of Ocean Freight Surrogate Value Data," dated May 17, 2016; see also letter from Powermach to the Secretary of Commerce "Certain Iron Mechanical Transfer Drive Components from the People's Republic of China: Submission of Marine Insurance Surrogate Value Data," dated May 18, 2016; see also letter from Petitioner to the Secretary of Commerce "Certain Iron Mechanical Transfer Drive Components from the People's Republic of China: Petitioner's Submission of Marine Insurance Information," dated May 18, 2016; see also letter from Petitioner to the Secretary of Commerce "Certain Iron Mechanical Transfer Drive Components from the People's Republic of China: Petitioner's Submission of Marine Insurance Information," dated May 18, 2016; see also letter from Petitioner to the Secretary of Commerce "Certain Iron Mechanical Transfer Drive Components from the People's Republic of China: Petitioner's Rebuttal Ocean Freight Information," dated May 20, 2016.

A. Economic Comparability

Consistent with its practice, and section 773(c)(4) of the Act,⁴⁸ and as stated above, the Department identified Bulgaria, Ecuador, Mexico, Romania, South Africa, and Thailand as countries at the level of economic development of the PRC based on GNI data published in the World Bank Development Indicators database.⁴⁹ The countries identified are not ranked and are considered equivalent in terms of economic comparability.

B. Significant Producer of Comparable Merchandise

While the statute does not define “significant” or “comparable,” the Department’s practice is to evaluate whether production is significant based on characteristics of world production of, and trade in, comparable merchandise (subject to the availability of data on these characteristics) and to determine whether merchandise is comparable on a case-by-case basis.⁵⁰ Where there is no production information, the Department has relied upon export data from potential surrogate countries. With respect to comparability of merchandise, in all cases, if identical merchandise is produced in a country, the country qualifies as a producer of comparable merchandise. Where there is no evidence of production of identical merchandise in a potential surrogate country, the Department has determined whether merchandise is comparable to the subject merchandise on the basis of similarities in physical form and the extent of processing or on the basis of production factors (physical and non-physical) and factor intensities. Since these characteristics are specific to the merchandise in question, the standard for “significant producer” will vary from case to case.⁵¹

A comparison of production quantities of the comparable merchandise from each potential surrogate country in relation to world production was not possible because the record does not contain production quantities of comparable merchandise from each potential surrogate country. The Department next sought evidence of production of comparable merchandise in the form of export data, which is one of the sources of data we consider in determining whether a country is a significant producer of comparable merchandise. Petitioner and NVCC provided export data from the Global Trade Atlas (“GTA”) for Bulgaria, Ecuador, Mexico, Romania, South Africa, and Thailand for the six-digit Harmonized Tariff Schedule (“HTS”) sub-headings listed in the scope of this antidumping duty investigation that is specific to flywheels and pulleys (*i.e.* 8483.50).⁵² Based on these data, the Department has determined that Bulgaria, Ecuador, Mexico, Romania, South Africa, and Thailand are significant producers of comparable merchandise. We next examined SV data availability.

⁴⁸ See Surrogate Country Memorandum.

⁴⁹ *Id.*

⁵⁰ See *Xanthan Gum from the People’s Republic of China: Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination*, 78 FR 2252 (January 10, 2013) and accompanying Preliminary Decision Memorandum at 4-7, unchanged in *Xanthan Gum from the People’s Republic of China: Final Determination of Sales at Less Than Fair Value*, 78 FR 33350 (June 4, 2013).

⁵¹ See Policy Bulletin at 1-2; see also, *e.g.*, *Hardwood and Decorative Plywood From the People’s Republic of China: Final Determination of Sales at Less Than Fair Value*, 78 FR 58273 (September 23, 2013) and the accompanying Issues and Decision Memorandum at Comment 7.

⁵² See Petitioner’s SC Comments at Exhibit 1; see also NVCC’s SC Comments at Exhibit 1.

C. Data Availability

When evaluating SV data, the Department considers several factors including whether the SVs are publicly available, contemporaneous with the period under consideration, broad-market averages, tax and duty-exclusive, and specific to the inputs being valued.⁵³ The Department's preference is to satisfy the breadth of these aforementioned selection factors.⁵⁴

The record contains complete SV data from Thailand,⁵⁵ and SV data from South Africa, Romania, Bulgaria, Ecuador, and Mexico for one FOP.⁵⁶ Thus, Thailand is the only potential surrogate country for which we have complete SV data on the record for valuing FOPs. Further, we find that the Thai data are of an acceptable quality. The data generally are from GTA, in which case they are publicly available, contemporaneous with the POI, broad-market averages, tax and duty-exclusive, and for imports from HTS categories specific to the inputs being valued.

Given the above facts, the Department selects Thailand as the primary surrogate country for this investigation. Thailand is at the level of economic development of the PRC, is a significant producer of comparable merchandise, and generally has reliable and usable SV data. A detailed description of the SVs selected by the Department is provided below in the "Normal Value" section of this notice.

Separate Rates

In proceedings involving NME countries, the Department maintains a rebuttable presumption that all companies within the country are subject to government control and, therefore, should be assessed a single weighted-average dumping margin.⁵⁷ In the *Initiation Notice*, the Department notified parties of the application process by which exporters may obtain separate rate status in this LTFV investigation.⁵⁸ The process requires exporters to submit a SRA⁵⁹ and to demonstrate an absence of both *de jure* and *de facto* government control over their export activities.

The Department's policy is to assign all exporters of merchandise under consideration that are in an NME country this single rate unless an exporter can demonstrate that it is sufficiently independent so as to be entitled to a separate rate.⁶⁰ The Department analyzes whether each

⁵³ See, e.g., *Certain Frozen Fish Fillets From the Socialist Republic of Vietnam: Final Results of Antidumping Duty Administrative Review and New Shipper Reviews*, 2010-2011, 78 FR 17350 (March 21, 2013) ("*Frozen Fish Fillets March 2013*"), and accompanying Issues and Decision Memorandum at Comment I(C).

⁵⁴ *Id.*

⁵⁵ See generally Petitioner's SV Comments; see also generally NVCC's SV Comments; see also generally Powermach's SV Comments.

⁵⁶ See Petitioner's Rebuttal SV Comments; see also Petitioners May SV Comments.

⁵⁷ See, e.g., *Polyethylene Terephthalate Film, Sheet, and Strip from the People's Republic of China: Final Determination of Sales at Less Than Fair Value*, 73 FR 55039, 55040 (September 24, 2008).

⁵⁸ See *Initiation Notice* at 73720.

⁵⁹ See Policy Bulletin 05.1: Separate Rates Practice and Application of Combination Rates in Antidumping Investigations involving Non-Market Economy Countries (April 5, 2005) (Policy Bulletin 05.1), available at <http://enforcement.trade.gov/policy/bull05-1.pdf>.

⁶⁰ See *Final Determination of Sales at Less Than Fair Value: Sparklers From the People's Republic of China*, 56 FR 20588, 20589 (May 6, 1991) ("*Sparklers*").

entity exporting the merchandise under consideration is sufficiently independent under a test established in *Sparklers*⁶¹ and further developed in *Silicon Carbide*.⁶² According to this separate rate test, the Department will assign a separate rate in NME proceedings if a respondent can demonstrate the absence of both *de jure* and *de facto* government control over its export activities. If, however, the Department determines that a company is wholly foreign-owned, then a separate rate analysis is not necessary to determine whether that company is independent from government control and eligible for a separate rate.

The Department continues to evaluate its practice with regard to the separate rates analysis in light of the diamond sawblades from the PRC AD proceeding, and its determinations therein.⁶³ In particular, in litigation involving the diamond sawblades from the PRC proceeding, the CIT found the Department's existing separate rates analysis deficient in the circumstances of that case, in which a government-owned and controlled entity had significant ownership in the respondent exporter.⁶⁴ Following the Court's reasoning, in recent proceedings, we have concluded that where a government entity holds a majority ownership share, either directly or indirectly, in the respondent exporter, the majority ownership holding in and of itself means that the government exercises, or has the potential to exercise, control over the company's operations generally.⁶⁵ This may include control over, for example, the selection of management, a key factor in determining whether a company has sufficient independence in its export activities to merit a separate rate. Consistent with normal business practices, we would expect any majority shareholder, including a government, to have the ability to control, and an interest in controlling, the operations of the company, including the selection of management and the profitability of the company.

⁶¹ *Id.*

⁶² See *Notice of Final Determination of Sales at Less Than Fair Value: Silicon Carbide From the People's Republic of China*, 59 FR 22585 (May 2, 1994) ("*Silicon Carbide*").

⁶³ See *Final Results of Redetermination Pursuant to Remand Order for Diamond Sawblades and Parts Thereof from the People's Republic of China*, (May 6, 2013) in *Advanced Technology & Materials Co., Ltd., et al. v. United States*, 885 F. Supp. 2d 1343 (CIT 2012) ("*Advanced Technology I*"), affirmed in *Advanced Technology & Materials Co., Ltd., et al. v. United States*, 938 F. Supp. 2d 1342 (CIT 2013), aff'd Case No. 2014-1154 (Fed. Cir. 2014) ("*Advanced Technology II*"). This remand redetermination is on the Enforcement and Compliance website at <http://enforcement.trade.gov/remands/12-147.pdf>; see also *Diamond Sawblades and Parts Thereof from the People's Republic of China: Preliminary Results of Antidumping Duty Administrative Review; 2011-2012*, 78 FR 77098 (December 20, 2013) and accompanying Preliminary Decision Memo at 7, unchanged in *Diamond Sawblades and Parts Thereof from the People's Republic of China: Final Results of Antidumping Duty Administrative Review; 2011-2012*, 79 FR 35723 (June 24, 2014), and accompanying Issues and Decision Memorandum at Comment 1.

⁶⁴ See, e.g., *Advanced Technology I*, 885 F. Supp. 2d at 1349 (CIT 2012) ("The court remains concerned that Commerce has failed to consider important aspects of the problem and offered explanations that run counter to the evidence before it."); *Id.* at 1351 ("Further substantial evidence of record does not support the inference that SASAC's {state-owned assets supervision and administration commission} 'management' of its 'state-owned assets' is restricted to the kind of passive-investor *de jure* 'separation' that Commerce concludes.") (footnotes omitted); *Id.*, at 1355 ("The point here is that 'governmental control' in the context of the separate rate test appears to be a fuzzy concept, at least to this court, since a 'degree' of it can obviously be traced from the controlling shareholder, to the board, to the general manager, and so on along the chain to 'day-to-day decisions of export operations,' including terms, financing, and inputs into finished product for export."); *Id.*, at 1357 ("AT&M itself identifies its 'controlling shareholder' as CISRI {owned by SASAC} in its financial statements and the power to veto nomination does not equilibrate the power of control over nomination.") (footnotes omitted).

⁶⁵ See *Carbon and Certain Alloy Steel Wire Rod From the People's Republic of China: Preliminary Determination of Sales at Less Than Fair Value and Preliminary Affirmative Determination of Critical Circumstances, in Part*, 79 FR 53169 (September 8, 2014), and accompanying Preliminary Decision Memorandum at 5-9.

In the *Initiation Notice*, we stated that SRAs would be due 30 days after publication of the notice, *i.e.*, December 28, 2015.⁶⁶ As noted above, Powermach and NVCC submitted responses to section A of the NME AD questionnaire, in which, each company submitted information pertaining to their eligibility for a separate rate.⁶⁷ Furthermore, the Department received timely filed SRAs from Baldor Electric Canada Inc. (“Baldor”), Fuqing Jiacheng Trading Corporation Limited (“Fuqing Jiacheng”), Haiyang Jingweida Gearing Co., Ltd. (“Jingweida”), Hangzhou Powertrans Co., Ltd. (“Hangzhou Powertrans”), Shijiazhuang CAPT Power Transmission Co., Ltd. (“CAPT”), Xinguang Technology Co. Ltd of Sichuan Province (“Xinguang”), Yueqing Bethel Shaft Collar Manufacturing Co., Ltd. (“Yueqing Bethel”), Zhejiang Damon Industrial Equipment Co., Ltd. (“Damon”), and Zhejiang Dongxing Auto Parts Co., Ltd. (“Dongxing”).⁶⁸ The Department issued supplemental SRA questionnaires to separate rate applicants between February 24, 2016 and May 4, 2016, and received responses from Damon, Dongxing, and Jingweida on March 2, 2016; CAPT, Fuqing Jiacheng, and Xinguang on May 2, 2016; and Hangzhou Powertrans on May 15, 2016 and May 26, 2016.⁶⁹ Baldor and Yueqing Bethel did not

⁶⁶ See *Initiation Notice* at 73720; see also *Notice of Clarification: Application of “Next Business Day” Rule for Administrative Determination Deadlines Pursuant to the Tariff Act of 1930, As Amended*, 70 FR 24533 (May 10, 2005).

⁶⁷ See NVCC’s Section A Response; see also Powermach’s Section A Response.

⁶⁸ See Letter from Baldor to the Secretary of Commerce “Iron Mechanical Transfer Drive Components from the People’s Republic of China – Separate Rate Application of Baldor Electric Canada,” dated December 28, 2015 (“Baldor SRA”); letter from Fuqing Jiacheng to the Secretary of Commerce “Antidumping Duty Investigation of Certain Iron Mechanical Transfer Drive Components from The People’s Republic of China – Separate Rate Application,” dated December 24, 2015 (“Fuqing Jiacheng SRA”); letter from Jingweida to the Secretary of Commerce “Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China; Separate Rate Application of Haiyang Jingweida Gearing Co., Ltd.,” dated December 24, 2015 (“Jingweida SRA”), letter from Hangzhou Powertrans to the Secretary of Commerce “Antidumping Duty Investigation of Certain Iron Mechanical Transfer Drive Components from The People’s Republic of China – Separate Rate Application,” dated December 24, 2015 (“Hangzhou Powertrans SRA”); letter from CAPT to the Secretary of Commerce “Antidumping Duty Investigation of Certain Iron Mechanical Transfer Drive Components from The People’s Republic of China – Separate Rate Application,” dated December 24, 2015 (“CAPT SRA”); letter from Xinguang to the Secretary of Commerce “Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China: Separate Rate Application,” dated December 21, 2015 (“Xinguang SRA”); letter from Yueqing Bethel to the Secretary of Commerce “Yueqing Bethel Separate Rate Application in the Antidumping Duty Investigation on Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China. (A-570-032),” dated December 16, 2015 (“Yueqing Bethel SRA”); see also letter from Damon to the Secretary of Commerce “Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China: Separate Rate Application,” dated December 24, 2015 (“Damon SRA”); and letter from Dongxing to the Secretary of Commerce “Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China: Separate Rate Application,” dated December 24, 2015 (“Dongxing SRA”).

⁶⁹ See Letter from Damon to the Secretary of Commerce “Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China: Separate Rate Application Supplemental Questionnaire,” dated March 2, 2016; see also Letter from Dongxing to the Secretary of Commerce “Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China: Separate Rate Application Supplemental Questionnaire,” dated March 2, 2016; see also Letter from Jingweida to the Secretary of Commerce “Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China; Supplemental Response of Haiyang Jingweida Gearing Co., Ltd.,” dated March 2, 2016; see also Letter from CAPT to the Secretary of Commerce “Antidumping Duty Investigation of Certain Iron Mechanical Transfer Drive Components from The People’s Republic of China – SRA Supplemental Questionnaire Response,” dated May 2, 2016; see also Letter from Fuqing Jiacheng to the Secretary of Commerce “Antidumping Duty Investigation of Certain Iron Mechanical Transfer Drive Components from The People’s Republic of China – SRA Supplemental Questionnaire Response,” dated May 2, 2016; see also Letter from Xinguang to the Secretary of Commerce “Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China: Response to the Department of Commerce’s April 25, 2016 Separate Rate Supplemental

respond to the Department’s supplemental request for certain information. Further, Baldor did not respond to a supplemental questionnaire.

I. Separate Rate Analysis

The Department is preliminarily granting the following companies a separate rate, as explained below:

1. CAPT
2. Damon
3. Donxing
4. Fuqing Jiacheng
5. Hangzhou Powertrans
6. Jingweida
7. Xinguang
8. Powermach

A. Wholly Foreign-Owned

NVCC and Baldor stated that they are wholly ME foreign-owned.⁷⁰ However, as discussed below, the Department has determined to treat both companies as part of the PRC-wide entity. No other interested party claimed to be wholly ME foreign-owned.

B. Joint Ventures Between Chinese and Foreign Companies or Wholly Chinese-Owned Companies

CAPT, Damon, Dongxing, Fuqing Jiacheng, Hangzhou Powertrans, Jingweida, Xinguang, Yueqing Bethel, and Powermach reported that they are either wholly Chinese-owned companies, or joint ventures between Chinese and foreign companies.⁷¹ Therefore, the Department must analyze whether these respondents can demonstrate the absence of both *de jure* and *de facto* governmental control over export activities. However, as explained above, because Yueqing Bethel did not respond to the Department’s supplemental questionnaire, the Department is not granting Yueqing Bethel a separate rate.

1. Absence of *De Jure* Control

The Department considers the following *de jure* criteria in determining whether an individual company may be granted a separate rate: (1) an absence of restrictive stipulations associated

Questionnaire,” dated May 2, 2016; *see also* Letter from Hangzhou Powertrans to the Secretary of Commerce “Antidumping Duty Investigation of Certain Iron Mechanical Transfer Drive Components from The People’s Republic of China - SRA Supplemental Questionnaire Response,” dated May 15, 2016; *see also* Letter from Hangzhou Powertrans to the Secretary of Commerce “Antidumping Duty Investigation of Certain Iron Mechanical Transfer Drive Components from The People’s Republic of China – Supplier Name Correction of SRA,” dated May 26, 2016.

⁷⁰ *See* NVCC Section A Response; *See* Baldor SRA at 9 and Exhibits 4-6.

⁷¹ *See* Powermach’s Section A Response; *see also* Baldor SRA; Fuqing Jiacheng SRA; Jingweida SRA; Hangzhou Powertrans SRA; CAPT SRA; Xinguang SRA; Yueqing Bethel SRA; Damon SRA; and Dongxing SRA.

with an individual exporter's business and export licenses; (2) legislative enactments decentralizing control over export activities of the companies; and (3) other formal measures by the government decentralizing control over export activities of companies.⁷²

With the exception of Yueqing Bethel, the evidence provided by the other Chinese-owned companies listed above supports a preliminary finding of an absence of *de jure* government control for each of these companies based on the following: (1) an absence of restrictive stipulations associated with the individual exporter's business and export licenses; (2) the existence of applicable legislative enactments decentralizing control of companies; and (3) the implementation of formal measures by the government decentralizing control of Chinese companies.⁷³

2. Absence of *De Facto* Control

Typically, the Department considers four factors in evaluating whether a respondent is subject to *de facto* government control of its export functions: (1) whether the prices are set by, or are subject to the approval of, a government agency; (2) whether the respondent has authority to negotiate and sign contracts and other agreements; (3) whether the respondent has autonomy from the government in making decisions regarding the selection of management; and (4) whether the respondent retains the proceeds of its export sales and makes independent decisions regarding the disposition of profits or financing of losses.⁷⁴ The Department has determined that an analysis of *de facto* control is critical in determining whether respondents are, in fact, subject to a degree of government control which would preclude the Department from assigning separate rates.

With the exception of Yueqing Bethel, the evidence provided by the other Chinese-owned companies listed above supports a preliminary finding of an absence of *de facto* government control based on record statements and supporting documentation showing that the companies: (1) set their own prices independent of the government and without the approval of a government authority; (2) have the authority to negotiate and sign contracts and other agreements; (3) maintain autonomy from the government in making decisions regarding the selection of management; and (4) retain the proceeds of their respective export sales and make independent decisions regarding disposition of profits or financing of losses.⁷⁵

Therefore, the evidence placed on the record of this investigation by the above mentioned separate rate applicants--with the exception of NVCC, Baldor, and Yueqing Bethel—and Powermach demonstrates an absence of *de jure* and *de facto* government control under the criteria identified in *Sparklers* and *Silicon Carbide*. Accordingly, the Department preliminarily grants separate rates to the separate rates applicants identified above and Powermach.

⁷² See *Sparklers*, 56 FR at 20589.

⁷³ See Powermach's Section A Response; see also Fuqing Jiacheng SRA; Jingweida SRA; Hangzhou Powertrans SRA; CAPT SRA; Xinguang SRA; Yueqing Bethel SRA; Damon SRA; and Dongxing SRA.

⁷⁴ See *Silicon Carbide*, 59 FR at 22586-87; *Notice of Final Determination of Sales at Less Than Fair Value: Furfuryl Alcohol From the People's Republic of China*, 60 FR 22544, 22545 (May 8, 1995).

⁷⁵ See Powermach's Section A Response; see also Fuqing Jiacheng SRA; Jingweida SRA; Hangzhou Powertrans SRA; CAPT SRA; Xinguang SRA; Yueqing Bethel SRA; Damon SRA; and Dongxing SRA.

II. Companies Not Receiving a Separate Rate

The Department has not granted a separate rate to the following companies:

1. NVCC
2. Baldor
3. Yueqing Bethel

In supplemental SRA questionnaires to Baldor and Yueqing Bethel, the Department requested certain information from each party in an effort to determine whether Baldor and Yueqing Bethel were eligible for a separate rate. However, Baldor and Yueqing Bethel did not respond to the Department's supplemental request for information. Thus, the Department has preliminarily determined that Baldor and Yueqing Bethel have not demonstrated the absence of both *de jure* and *de facto* government control over their export activities.

Furthermore, and as previously noted, NVCC withdrew from participation as a mandatory respondent in the investigation.⁷⁶ Accordingly, due to the fact that the Department is unable to verify NVCC's AD questionnaire responses, which included information regarding its ownership and other factors the Department considers in evaluating an exporter's entitlement to a separate rate, the Department has preliminarily found that NVCC has failed to establish its eligibility for a separate rate.

Because Baldor, NVCC, and Yueqing Bethel failed to establish entitlement to a separate rate, the Department has preliminarily determined to treat Baldor, NVCC, and Yueqing Bethel as part of the PRC-wide entity. See The PRC-wide Entity section below.

Dumping Margin for the Separate Rate Companies

Generally, the Department looks to section 735(c)(5) of the Act, which provides instructions for calculating the all-others rate in an investigation for guidance when calculating the rate for separate rate respondents which we did not individually examine. Section 735(c)(5)(A) of the Act articulates a preference that we are not to calculate an all-others rate using rates which are zero, *de minimis* or based entirely on facts available. Accordingly, the Department's usual practice has been to average the weighted-average dumping margins for the individually-examined companies, excluding rates that are zero, *de minimis*, or based entirely on facts available.⁷⁷ Section 735(c)(5)(B) of the Act also provides that, where all rates are zero, *de minimis*, or based entirely on facts available, we may use "any reasonable method" for assigning the all-others rate, including "averaging the estimated weighted-average dumping margins determined for the exporters and producers individually investigated." In this investigation, we calculated a rate for the one mandatory respondent found to be eligible for a separate rate that is not zero, *de minimis*, or based entirely on facts available. Therefore, we assigned this rate to the separate rate applicants not individually examined.

⁷⁶ See NVCC Non-Participation Letter.

⁷⁷ See *Ball Bearings and Parts Thereof From France, Germany, Italy, Japan, and the United Kingdom: Final Results of Antidumping Duty Administrative Reviews and Rescission of Reviews in Part*, 73 FR 52823, 52824 (September 11, 2008), and accompanying Issues and Decision Memorandum at Comment 16.

Combination Rates

Consistent with the *Initiation Notice*, the Department has calculated combination rates for respondents that are eligible for a separate rate in this investigation.⁷⁸ This practice is described in Policy Bulletin 05.1.

The PRC-wide Entity

As discussed above, Baldor, NVCC, and Yueqing Bethel failed to establish entitlement to a separate rate. Because these companies have not demonstrated that they are eligible for separate rate status, the Department considers them part of the PRC-wide entity. Further, the record indicates that there are other PRC exporters and/or producers of the merchandise under consideration during the POI did not respond to the Department's requests for information. Specifically, as noted in the "Selection of Respondents" section, above, the Department did not receive timely responses to its Q&V questionnaire from certain PRC exporters and/or producers of the merchandise under consideration that were named in the Petition and to whom the Department issued Q&V questionnaires. Because non-responsive PRC companies have not demonstrated that they are eligible for separate rate status, the Department finds that they have not rebutted the presumption of government control and, therefore, considers them to be part of the PRC-wide entity. Furthermore, as explained below, we preliminarily are determining the PRC-wide rate on the basis of adverse facts available ("AFA").

Application of Facts Available and Adverse Inferences

Section 776(a)(1) and (2) of the Act provides that, if necessary information is missing from the record, or if an interested party: (A) withholds information that has been requested by the Department, (B) fails to provide such information in a timely manner or in the form or manner requested, subject to subsections 782(c)(1) and (e) of the Act, (C) significantly impedes a proceeding under the AD statute, or (D) provides such information but the information cannot be verified, the Department shall, subject to subsection 782(d) of the Act, use facts otherwise available in reaching the applicable determination.

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

On June 29, 2015, the President of the United States signed into law the Trade Preferences Extension Act of 2015 (TPEA), which made numerous amendments to the AD and CVD law, including amendments to section 776(b) and 776(c) of the Act and the addition of section 776(d) of the Act.⁷⁹ The amendments to section 776 of the Act are applicable to all determinations made on or after August 6, 2015, and, therefore, apply to this investigation.⁸⁰

⁷⁸ See *Initiation Notice* at 73720-21.

⁷⁹ See Trade Preferences Extension Act of 2015, Pub. L. No. 114-27, 129 Stat. 362 (June 29, 2015) ("TPEA"). The

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

Section 776(c) of the Act provides that, when the Department relies on secondary information rather than on information obtained in the course of an investigation, it shall, to the extent practicable, corroborate that information from independent sources that are reasonably at its disposal. Secondary information is defined as 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 of the Act concerning the subject merchandise.⁸¹ The TPEA also makes clear that when selecting an AFA margin, the Department is not required to estimate what the dumping margin would have been if the interested party failing to cooperate had cooperated or to demonstrate that the dumping margin reflects an “alleged commercial reality” of the interested party.

A. Use of Facts Available

The Department preliminarily finds that the PRC-wide entity, which includes certain PRC exporters and/or producers that did not respond to the Department’s requests for information withheld information requested by the Department and significantly impeded this proceeding by not submitting the requested information. Specifically, certain exporters within the PRC-wide entity failed to respond to the Department’s request for Q&V information. Furthermore, while NVCC, which is part of the PRC-wide entity, provided certain information, it withdrew from participation as a mandatory respondent in the investigation and thus it provided information which cannot be verified.⁸² Accordingly, the Department preliminarily determines that use of

2015 law does not specify dates of application for those amendments. On August 6, 2015, the Department published an interpretative rule, in which it announced the applicability dates for each amendment to the Act, except for amendments contained to section 771(7) of the Act, which relate to determinations of material injury by the ITC. *See Dates of Application of Amendments to the Antidumping and Countervailing Duty Laws Made by the Trade Preferences Extension Act of 2015*, 80 FR 46793 (August 6, 2015) (“*Applicability Notice I*”).

⁸⁰ *See id.*, 80 FR at 46794-95. The 2015 amendments may be found at <https://www.congress.gov/bill/114th-congress/house-bill/1295/text/pl>.

⁸¹ Statement of Administrative Action Accompanying the Uruguay Round Agreements Act (“SAA”), H.R.Rep. No. 103-316, at 870 (1994), *as reprinted in* 1994 U.S.C.C.A.N. 4040, 4199.

⁸² *See* NVCC Non-Participation Letter.

facts available is warranted in determining the rate of the PRC-wide entity, pursuant to sections 776(a)(1) and (a)(2)(A)-(C) of the Act.⁸³

B. Application of Facts Available with an Adverse Inference

Section 776(b) of the Act provides that in selecting from among the facts otherwise available, the Department may use an inference that is adverse to the interests of a party if that party has failed to cooperate by not acting to the best of its ability to comply with a request for information. The Department finds that the PRC-wide entity's lack of participation, including NVCC's withdrawal from this investigation and the failure of certain other parts of the PRC-wide entity to submit Q&V information, constitutes circumstances under which it is reasonable to conclude that the PRC-wide entity failed to cooperate to the best of its ability to comply with the Department's request for information.⁸⁴ With respect to the missing information, no documents were filed indicating any difficulty providing the information, nor was there a request to allow the information to be submitted in an alternate form. Therefore, we preliminarily find that an adverse inference is warranted in selecting from among the facts otherwise available with respect to the PRC-wide entity in accordance with section 776(b) of the Act and 19 CFR 351.308(a).⁸⁵

C. Selection and Corroboration of the AFA rate

When using facts otherwise available, section 776(c) of the Act provides that, where the Department relies on secondary information (such as the Petition) rather than information obtained in the course of an investigation, it must corroborate, to the extent practicable, information from independent sources that are reasonably at its disposal. Secondary information is defined as 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 of the Act concerning the subject merchandise.⁸⁶ The SAA clarifies that "corroborate" means that the Department will satisfy itself that the secondary information to be used has probative value,⁸⁷ although under the TPEA, the Department is not required to corroborate any dumping margin applied in a separate segment of the same proceeding.⁸⁸ To corroborate secondary information, the Department will, to the extent practicable, examine the reliability and relevance of the information to be used, although under the TPEA, the Department is not required to estimate what the dumping margin would have been if the interested party failing to cooperate had cooperated or to demonstrate that the dumping margin reflects an "alleged commercial reality" of the interested

⁸³ See, e.g., *Notice of Preliminary Determination of Sales at Less Than Fair Value, Affirmative Preliminary Determination of Critical Circumstances and Postponement of Final Determination: Certain Frozen Fish Fillets From the Socialist Republic of Vietnam*, 68 FR 4986, 4991 (January 31, 2003), unchanged in *Notice of Final Determination of Sales at Less Than Fair Value and Affirmative Critical Circumstances: Certain Frozen Fish Fillets from the Socialist Republic of Vietnam*, 68 FR 37116 (June 23, 2003).

⁸⁴ See *Nippon Steel Corporation v. United States*, 337 F.3d 1373, 1383 (Fed. Cir. 2003) (noting that the Department need not show intentional conduct existed on the part of the respondent, but merely that a "failure to cooperate to the best of a respondent's ability" existed (*i.e.*, information was not provided "under circumstances in which it is reasonable to conclude that less than full cooperation has been shown.")).

⁸⁵ See *Nippon Steel Corp. v. United States*, 337 F.3d 1373, 1382-83 (Fed. Cir. 2003).

⁸⁶ See SAA at 870.

⁸⁷ *Id.*; see also 19 CFR 351.308(d).

⁸⁸ See section 776(c)(2) of the Act; TPEA, section 502(2).

party.⁸⁹ Finally, under the new section 776(d) of the Act, the Department may use any dumping margin from any segment of a proceeding under an antidumping order when applying an adverse inference, including the highest of such margins.⁹⁰

In order to determine the probative value of the margins in the petition for use as AFA for purposes of this preliminary determination, we compared the petition margins to the margins we calculated for the participating individually examined respondent. We determined that the petition margin of 401.68 percent is reliable and relevant because it is within the range of the transaction-specific margins on the record for the participating individually examined respondent. Thus the highest petition margin has probative value. Accordingly, we have corroborated the petition margin to the extent practicable within the meaning of section 776(c) of the Act.

Application of Partial AFA

As noted above, section 776(a)(2)(A) and (C) of the Act provides that if an interested party withholds information or significantly impedes a proceeding, the Department shall use, subject to section 782(d) of the Act, facts otherwise available in reaching the applicable determination. Moreover, section 776(b) of the Act provides that, if the Department finds that an interested party failed to cooperate by not acting to the best of its ability to comply with a request for information, the Department may use an inference adverse to the interests of that party in selecting the facts otherwise available. In addition, the Statement of Administrative Action (“SAA”) accompanying the Uruguay Round Agreements Act explains that the Department may employ an adverse inference “to ensure that the party does not obtain a more favorable result by failing to cooperate than if it had cooperated fully.”⁹¹

In *Nippon Steel*, the CAFC noted that while the statute does not provide an express definition of the “failure to act to the best of its ability” standard, the ordinary meaning of “best” is “ones maximum effort.”⁹² Thus, according to the CAFC, the statutory mandate that a respondent act to the “best of its ability” requires the respondent to do the maximum it is able to do. The CAFC indicated that inadequate responses to an agency’s inquiries would suffice to find that a respondent did not act to the best of its ability.

During the course of this investigation, Powermach provided general company documents (*e.g.*, brochure), information regarding pricing, and made certain statements indicating that it uses a

⁸⁹ See, *e.g.*, *Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, From Japan, and Tapered Roller Bearings, Four Inches or Less in Outside Diameter, and Components Thereof, From Japan; Preliminary Results of Antidumping Duty Administrative Reviews and Partial Termination of Administrative Reviews*, 61 FR 57391, 57392 (November 6, 1996), unchanged in *Tapered Roller Bearings and Parts Thereof, Finished and Unfinished, From Japan, and Tapered Roller Bearings, Four Inches or Less in Outside Diameter, and Components Thereof, From Japan; Final Results of Antidumping Duty Administrative Reviews and Termination in Part*, 62 FR 11825 (March 13, 1997).

⁹⁰ See section 776(d)(1)-(2) of the Act; TPEA, section 502(3).

⁹¹ See SAA, H.R. Rep. No. 103-316, at 870; see also *Notice of Final Results of Antidumping Duty Administrative Review: Stainless Steel Bar from India*, 70 FR 54023, 54025-26 (September 13, 2005); *Notice of Final Determination of Sales at Less Than Fair Value and Final Negative Critical Circumstances: Carbon and Certain Alloy Steel Wire Rod from Brazil*, 67 FR 55792, 55794-96 (August 30, 2002).

⁹² See *Nippon Steel Corporation v. United States*, 337 F.3d 1373, 1382-83 (Fed. Cir. 2003) (“*Nippon Steel*”).

certain material as a “main input” in subject merchandise. However, in response to several supplemental questionnaires about the use of this input, Powermach claimed that it did not use this input for a particular type of iron product sold to the U.S.⁹³ Yet the bill of materials (“BOM”) for this particular type of iron used to produce the subject merchandise sold to the United States during the POI and inventory withdrawal slips and inventory-out records related to the production of subject merchandise, appear to indicate, even based on Powermach’s own translation of the Chinese name of certain inputs, that Powermach did use the input in question in the production of subject merchandise. Moreover, the names of certain other inputs listed in the BOM also call into question Powermach’s claim that it did not use the input in question in manufacturing the subject merchandise sold to the United States during the POI. Given this record, and the fact that Powermach did not separately report the input in question, we have preliminarily determined that Powermach withheld information and significantly impeded the proceeding. Thus, pursuant to sections 776(a)(2)(A) and (C) of the Act, the use of facts available with respect to this input is appropriate. Furthermore, the record information noted above indicates that Powermach’s responses to the Department’s inquiries were inadequate as it did not account for the information on the record, which was in its possession, indicating consumption of the input in question in producing subject merchandise. Hence, we have determined that Powermach did not do the maximum it was able to do in reporting FOPs and, therefore, failed to cooperate to the best of its ability. Thus, in calculating NV, pursuant to section 776(b) of the Act we have used partial AFA with to the input in question. For further discussion, *see* memorandum from Krishna Hill, International Trade Compliance Analyst, AD/CVD Operations, Office IV to the File “Application of Partial Adverse Facts Available,” dated concurrently with this memorandum.

Single Entity Treatment

To the extent that the Department’s practice does not conflict with section 773(c) of the Act, the Department has, in prior cases, treated certain NME exporters and/or producers as a single entity if the facts of the case supported such treatment.⁹⁴ Pursuant to 19 CFR 351.401(f)(1), the Department will treat producers as a single entity, or “collapse” them, where: (1) those producers are affiliated; (2) the producers have production facilities for producing similar or identical products that would not require substantial retooling of either facility in order to restructure manufacturing priorities; and (3) there is a significant potential for manipulation of price or production.⁹⁵ In determining whether a significant potential for manipulation exists, section 351.401(f)(2) of the Department’s regulations states that the Department may consider various factors, including: (1) the level of common ownership; (2) the extent to which

⁹³ See Letter from Powermach to the Secretary of Commerce “Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China: Response to the Department of Commerce’s April 27, 2016 Supplemental Questionnaire,” dated May 6, 2016 at page SQ5-15.

⁹⁴ See *Certain Steel Nails From the People's Republic of China: Preliminary Determination of Sales at Less Than Fair Value and Partial Affirmative Determination of Critical Circumstances and Postponement of Final Determination*, 73 FR 3928, 3932 (January 23, 2008), unchanged in *Certain Steel Nails From the People's Republic of China: Amended Preliminary Determination of Sales at Less Than Fair Value*, 73 FR 7254 (February 7, 2008) and *Certain Steel Nails from the People's Republic of China: Final Determination of Sales at Less Than Fair Value and Partial Affirmative Determination of Critical Circumstances*, 73 FR 33977 (June 16, 2008).

⁹⁵ See, e.g., *Gray Portland Cement and Clinker From Mexico: Final Results of Antidumping Duty Administrative Review*, 63 FR 12764, 12774-12775 (March 16, 1998).

managerial employees or board members of one firm sit on the board of directors of an affiliated firm; and (3) whether the operations of the affiliated firms are intertwined, such as through the sharing of sales information, involvement in production and pricing decisions, the sharing of facilities or employees, or significant transactions between the affiliated producers.⁹⁶

Section 771(33) of the Act identifies persons that shall be considered “affiliated” or “affiliated persons,” including, *inter alia* : (1) members of a family, including brothers and sisters (whether by whole or half blood), spouses, ancestors, and lineal descendants, (2) any person directly or indirectly owning, controlling, or holding with power to vote, 5 percent or more of the outstanding voting stock or shares of any organization and such organization; (3) two or more persons directly or indirectly controlling, controlled by, or under common control with, any person; and (4) any person who controls any other person and such other person.⁹⁷ Section 771(33) of the Act further states that a person shall be considered to control another person if the person is legally or operationally in a position to exercise restraint or direction over the other person.

The Department preliminarily determines, pursuant to sections 771(33)(F) and (G) of the Act, that Powermach and producers Sichuan Dawn Precision Technology Co., Ltd. (“Dawn Precision”), Sichuan Dawn Foundry Co., Ltd. (“Dawn Foundry”), and Powermach Co., Ltd. (“Powermach Machinery”) are affiliated based on control. Moreover, given that the operations of all four companies involve either the sale, or various stages of the production of, subject merchandise, we find that the relationship between Dawn Precision, Powermach, Dawn Foundry, and Powermach Machinery has the potential to impact decisions concerning the production, pricing, or cost of the subject merchandise.⁹⁸

The record demonstrates that Dawn Precision, Dawn Foundry, and Powermach Machinery performed various stages of the production of subject merchandise.⁹⁹ Specifically, Dawn Precision performed all stages of the production process.¹⁰⁰ Dawn Foundry produced castings, which it either sold to Powermach Machinery for mechanical processing, or it sold them to Dawn Precision for mechanical processing, surface treatment, and packing.¹⁰¹ Powermach Machinery performed mechanical processing to produce castings into semi-finished products,¹⁰² which it later sold to Dawn Precision for the manufacturing of finished products. Thus, Dawn Precision, Dawn Foundry, and Powermach Machinery each produce subject merchandise because each company produces castings, unfinished (semi-finished), and/or finished IMTDCs, all of which are covered by the scope of this investigation. Specifically, Dawn Precision has the necessary equipment to produce castings, semi-finished and finished IMTDCs. Dawn Foundry has the

⁹⁶ See, e.g., *Notice of Final Determination of Sales at Less Than Fair Value: Collated Roofing Nails From Taiwan*, 62 FR 51427, 51436 (October 1, 1997).

⁹⁷ See sections 771(33)(E)-(G) of the Act.

⁹⁸ See Memorandum from Krishna Hill, International Trade Compliance Analyst, Office IV, AD/CVD Operations through Howard Smith, Program Manager, Office IV, AD/CVD Operations to Abdelali Elouaradia, Office Director, Office IV, AD/CVD Operations, regarding “Certain Iron Mechanical Transfer Drive Components from The People’s Republic of China: Preliminary Affiliation and Collapsing Memorandum” (May 31, 2016) (“Single Entity Memorandum”).

⁹⁹ See Powermach April 11, 2016, Response at S-D-3 to S-D-4.

¹⁰⁰ *Id.*

¹⁰¹ See First Supplemental Section A Response at A-SQ1-4, A-SQ1-11 and A-SQ1-12.

¹⁰² *Id.*

necessary equipment to produce castings and can produce semi-finished and finished IMTDCs without substantial retooling.¹⁰³ Powermach Machinery has the necessary equipment to produce semi-finished IMTDCs and has the capability to produce finished IMTDCs from unfinished IMTDCs without substantial retooling.¹⁰⁴ Therefore, we find a sufficient basis to conclude that all three producers at issue have facilities for producing similar or identical products (*i.e.*, IMTDCs), such that no substantial retooling at any of the three facilities is required in order to restructure manufacturing priorities.

While Powermach stated that it is an export trading company which does not have production facilities,¹⁰⁵ the Department has collapsed affiliated exporters under 19 CFR 351.401(f) in other cases.¹⁰⁶ The CIT has held that once a finding of affiliation is made, affiliated exporters can be considered a single entity where their relationship has the potential to impact decisions concerning the production, pricing, or cost of the subject merchandise.¹⁰⁷ Powermach is the export trading company through which subject merchandise produced by its three affiliates is sold in the United States. Therefore, Powermach's relationship with Dawn Precision, Dawn Foundry, and Powermach Machinery has the potential to impact decisions concerning the production, pricing, or cost of the subject merchandise. Hence, we have considered all four companies, Powermach, Dawn Precision, Dawn Foundry, and Powermach Machinery, in our single entity analysis.

Lastly, the Department preliminarily determines that there is a significant potential for the manipulation of price or production among these companies as evidenced by the level of common ownership, the degree of management overlap, and the intertwined nature of the operations of these companies.¹⁰⁸ Record evidence indicates that Powermach, Dawn Precision, Dawn Foundry, and Powermach Machinery share common ownership.¹⁰⁹ Additionally, record evidence indicates that there is overlap of board of directors and managerial employees between Powermach, Dawn Precision, Dawn Foundry, and Powermach Machinery.¹¹⁰ Moreover, record evidence demonstrates that Powermach's, Dawn Precision's, Dawn Foundry's, and Powermach Machinery's operations are closely intertwined.¹¹¹

In consideration of the above, and in accordance with 19 CFR 351.401(f) and the Department's practice,¹¹² we are treating Powermach, Dawn Precision, Dawn Foundry, and Powermach

¹⁰³ See Powermach May 17, 2016, Response at SQ7-4.

¹⁰⁴ *Id.*

¹⁰⁵ See Letter from Powermach to the Department regarding, "Certain Iron Mechanical Transfer Drive Components from the People's Republic of China: Section A Supplemental Questionnaire Response," dated March 15, 2016 ("Powermach March 15, 2016, Response") at A-SQ1-13.

¹⁰⁶ See, e.g., *Certain Preserved Mushrooms from the People's Republic of China: Final Results of Sixth Antidumping Duty New Shipper Review and Final Results and Partial Rescission of the Fourth Antidumping Duty Administrative Review*, 69 FR 54635 (September 9, 2004) and accompanying Issues and Decision Memorandum at Comment 1.

¹⁰⁷ See *Hontex Enterprises, Inc. v. United States*, 248 F. Supp. 2d 1323 (CIT 2003) at 1232-34.

¹⁰⁸ See 19 CFR 351.401(f)(2).

¹⁰⁹ See Single Entity Memorandum.

¹¹⁰ *Id.*

¹¹¹ *Id.*

¹¹² See, e.g., *Notice of Final Determination of Sales at Less Than Fair Value: Certain Hot-Rolled Flat-Rolled Carbon-Quality Steel Products From Brazil*, 64 FR 38756, 38778 (July 19, 1999) (noting that 19 CFR 351.402(f)(2)

Machinery as a single entity for purposes of this preliminary determination. For the Department's full analysis, *see* the Single Entity Memorandum.

Date of Sale

In identifying the date of sale of the merchandise under consideration, the Department will normally, in accordance with 19 CFR 351.401(i), “use the date of invoice, as recorded in the exporter or producer’s records kept in the normal course of business” unless a different date better reflects the date on which the material terms of sale (e.g., price and quantity) are established.¹¹³ Powermach reported sale date based on invoice date.¹¹⁴ Further, Powermach demonstrated that the material terms of sale were established on the invoice date. Thus, consistent with our date of sale regulation, the Department preliminarily determines to use invoice date as the date of sale.¹¹⁵

Fair Value Comparisons

Pursuant to section 773(a)(1)(B) of the Act and 19 CFR 351.414(c)(1) and (d), to determine whether Powermach’s sales of the subject merchandise to the United States were made at less than NV, the Department compared EP to NV as described in the “Export Price” and “Normal Value” sections below. In particular, and in accordance with section 777A(d)(1)(A) of the Act, the Department compared weighted-average EPs with weighted-average NVs to determine whether the participating mandatory respondent sold merchandise under consideration to the United States at LTFV during the POI.

Determination of Comparison Method

Pursuant to 19 CFR 351.414(c)(1), the Department calculates individual dumping margins by comparing weighted-average NVs to weighted-average EPs (the average-to-average (“A-A”) method) unless the Department determines that another method is appropriate in a particular situation. In AD investigations, the Department examines whether to compare weighted-average NVs to the EPs of individual transactions (the average-to-transaction (“A-T”) method) as an alternative comparison method using an analysis consistent with section 777A(d)(1)(B) of the Act.

In recent AD investigations and reviews, the Department applied a “differential pricing” analysis to determine whether application of A-T comparisons is appropriate in a particular situation

does not state that all three factors need to be present in order to find a significant potential for the manipulation of price or production).

¹¹³ *See, e.g., Notice of Final Determinations of Sales at Less Than Fair Value; Certain Cold-Rolled Flat-Rolled Carbon Quality Steel Products from Turkey*, 65 FR 15123 (March 21, 2000), and accompanying Issues and Decision Memorandum at Comment 1.

¹¹⁴ *See, e.g.,* Powermach’s Section A Response at Exhibit A-1; *see also* Powermach’s Sections CD Response at C-14.

¹¹⁵ *See* Powermach Preliminary Analysis Memorandum.

pursuant to 19 CFR 351.414(c)(1) and consistent with section 777A(d)(1)(B) of the Act.¹¹⁶ The Department finds that the differential pricing analysis used in those recent investigations and reviews may be instructive for purposes of examining whether to apply an alternative comparison method in this investigation. The Department will continue to develop its approach in this area based on comments received in this and other proceedings, and on the Department's additional experience with addressing the potential masking of dumping that can occur when the Department uses the A-A method in calculating weighted-average dumping margins.¹¹⁷

The differential pricing analysis used in this preliminary determination requires a finding of a pattern of EPs for comparable merchandise that differs significantly among purchasers, regions, or time periods. When we find such a pattern the differential pricing analysis evaluates whether such differences can be taken into account when using the A-A method to calculate the weighted-average dumping margin. The differential pricing analysis used here evaluates all purchasers, regions, and time periods to determine whether a pattern of prices that differ significantly exists. The analysis incorporates default group definitions for purchasers (*e.g.*, reported consolidated customer codes, reported destination codes (*i.e.*, zip codes)); regions (*e.g.*, based upon standard definitions published by the U.S. Census Bureau), time periods (*e.g.*, quarters within the POI being examined based upon the reported date of sale), and comparable merchandise, which are defined by the parameters within the respondent's reported data fields. For purposes of analyzing sales transactions by purchaser, region, and time period, comparable merchandise is considered using the product control number and any characteristics of the sales, other than purchaser, region, and time period, that the Department uses in making comparisons between EP and NV for the individual dumping margins.

In the first stage of the differential pricing analysis used here, the "Cohen's *d* test" is applied. The Cohen's *d* test is a generally recognized statistical measure of the extent of the difference between the mean of a test group and the mean of a comparison group. First, for comparable merchandise, the Cohen's *d* coefficient is calculated when the test and comparison groups of data each have at least two observations, and when the sales quantity for the comparison group accounts for at least five percent of the total sales quantity of the comparable merchandise. The Cohen's *d* coefficient evaluates the extent to which the net prices to a particular purchaser, region, or time period differ significantly from the net prices of all other sales of comparable merchandise. One of three fixed thresholds defined by the Cohen's *d* test can quantify the extent of these differences: small, medium, or large. Of these thresholds, the large threshold provides the strongest indication that there is a significant difference between the means of the test and comparison groups, while the small threshold provides the weakest indication that such a difference exists. For this analysis, the difference was considered significant, and the sales are considered to have passed the Cohen's *d* test, if the calculated Cohen's *d* coefficient is equal to or exceeds the large (*i.e.*, 0.8) threshold.

¹¹⁶ See, *e.g.*, *Hardwood and Decorative Plywood From the People's Republic of China: Final Determination of Sales at Less Than Fair Value*, 78 FR 58273 (September 23, 2013) and accompanying Issues and Decisions Memorandum at Comment 5; *Certain Activated Carbon From the People's Republic of China: Preliminary Results of Antidumping Duty Administrative Review; 2011-2012*, 78 FR 26748 (May 8, 2013), unchanged in *Certain Activated Carbon From the People's Republic of China: Final Results of Antidumping Duty Administrative Review; 2011-2012*, 78 FR 70533 (November 26, 2013) and accompanying Issues and Decisions Memorandum at Comments 2-4.

¹¹⁷ *Id.*

Next, the “ratio test” assesses the extent of the significant price differences for all sales as measured by the Cohen’s *d* test. If the value of sales to purchasers, regions, and time periods that pass the Cohen’s *d* test account for 66 percent or more of the value of total sales, then the identified pattern of prices that differ significantly supports the consideration of the application of the A-T method to all sales as an alternative to the A-A method. If the value of sales to purchasers, regions, and time periods that pass the Cohen’s *d* test accounts for more than 33 percent and less than 66 percent of the value of total sales, then the results support consideration of the application of an A-T method to those sales identified as passing the Cohen’s *d* test as an alternative to the A-A method, and application of the A-A method to those sales identified as not passing the Cohen’s *d* test. If 33 percent or less of the value of total sales passes the Cohen’s *d* test, then the results of the Cohen’s *d* test do not support consideration of an alternative to the A-A method.

If both tests in the first stage (*i.e.*, the Cohen’s *d* test and the ratio test) demonstrate the existence of a pattern of prices that differ significantly such that an alternative comparison method should be considered, then in the second stage of the differential pricing analysis, we examine whether using only the A-A method can appropriately account for such differences. In considering this question, the Department tests whether using an alternative method, based on the results of the Cohen’s *d* and ratio tests described above, yields a meaningful difference in the weighted average dumping margin as compared to that resulting from the use of the A-A method only. If the difference between the two calculations is meaningful, this demonstrates that the A-A method cannot account for differences such as those observed in this analysis, and, therefore, an alternative method would be appropriate. A meaningful difference in the weighted-average dumping margins occurs if: (1) there is a 25 percent relative change in the weighted average dumping margin between the A-A method and the appropriate alternative method where both rates are above the *de minimis* threshold or (2) the resulting weighted-average dumping margin moves across the *de minimis* threshold.

Interested parties may present arguments and justifications in relation to the above-described approach used in this preliminary determination, including arguments for modifying the group definitions used in this investigation.

Results of the Differential Pricing Analysis

For Powermach, the Department finds that 53.4 percent of its export sales pass the Cohen’s *d* test, which confirms the existence of a pattern of EPs for comparable merchandise that differ significantly among purchasers, regions or time periods.¹¹⁸ Additionally, when comparing the weighted-average dumping margin calculated using the A-A method for all U.S. sales with the margin calculated using an alternative comparison method based on applying the mixed alternative method to all U.S. sales, there is a meaningful difference in the results (*e.g.*, the rate for the mixed alternative method is above the *de minimis* threshold). Accordingly, the

¹¹⁸ See Powermach Preliminary Analysis Memorandum.

Department used the mixed alternative method in making comparisons of EP and NV for Powermach for this preliminary determination.¹¹⁹

U.S. Price

Export Price

In accordance with section 772(a) of the Act, export price (“EP”) is “the price at which the subject merchandise is first sold (or agreed to be sold) before the date of importation by the producer or exporter of the subject merchandise outside of the United States to an unaffiliated purchaser in the United States or to an unaffiliated purchaser for exportation to the United States,” as adjusted under section 772(c) of the Act. Consistent with section 772(a) of the Act, the Department finds that all of Powermach’s sales in this investigation are EP sales.

The Department made deductions, as appropriate, from the reported U.S. price for movement expenses (*i.e.*, rail freight, truck freight, brokerage and handling, marine insurance, and international freight).¹²⁰ The Department based movement expenses on surrogate values where the service was purchased from a PRC company.¹²¹ Additionally, the information on the record demonstrated that the value-added tax (“VAT”) levy and VAT rebate are the same. Accordingly, we preliminarily determine that there is not un-refunded (herein “irrecoverable”) VAT for the Department made deductions, as appropriate, from the reported U.S. price (*see below*).¹²²

VAT

In 2012, the Department announced a change of methodology with respect to the calculation of EP and constructed export price (“CEP”) to include an adjustment of any irrecoverable VAT in certain NME countries in accordance with section 772(c)(2)(B) of the Act.¹²³ The Department explained that when an NME government imposes an export tax, duty, or other charge on subject merchandise, or on inputs used to produce subject merchandise, from which the respondent was not exempted, the Department will reduce the respondent’s EP and CEP prices accordingly, by the amount of the tax, duty or charge paid, but not rebated.¹²⁴ Where the irrecoverable VAT is a fixed percentage of EP or CEP, the Department explained that the final step in arriving at a tax neutral dumping comparison is to reduce the U.S. EP or CEP downward by this same percentage.¹²⁵

¹¹⁹ In this preliminary determination, the Department applied the weighted-average dumping margin calculation method adopted in *Antidumping Proceedings: Calculation of the Weighted-Average Dumping Margin and Assessment Rate in Certain Antidumping Duty Proceedings; Final Modification*, 77 FR 8101 (February 14, 2012). In particular, the Department compared monthly weighted-average export prices with monthly weighted-average NVs and granted offsets for non-dumped comparisons in the calculation of the weighted-average dumping margin.

¹²⁰ See Powermach Preliminary Analysis Memorandum.

¹²¹ See “Factor Valuation Methodology” section below.

¹²² *Id.*

¹²³ See *Methodological Change for Implementation of Section 772(c)(2)(B) of the Tariff Act of 1930, as Amended, In Certain Non-Market Economy Antidumping Proceedings*, 77 FR 36481 (June 19, 2012).

¹²⁴ *Id.*; see also *Chlorinated Isocyanurates from the People’s Republic of China: Final Results of Antidumping Duty Administrative Review; 2011-2012*, 79 FR 4875 (January 30, 2014) and accompanying Issues and Decision Memorandum at Comment 5.A.

¹²⁵ *Id.*

The Department's methodology, as explained above and applied in this investigation, incorporates two basic steps: (1) determine the irrecoverable VAT on subject merchandise, and (2) reduce U.S. price by the amount determined in step one. Information placed on the record of this investigation by Powermach indicates that according to the PRC VAT schedule, the standard VAT levy is 17 percent and the rebate rate for the merchandise under consideration is 17 percent.¹²⁶ Consistent with the Department's standard methodology, for purposes of this preliminary determination we based the calculation of irrecoverable VAT on the difference between those standard rates, applied to a free-on-board EP.¹²⁷ Thus, because the VAT levy and VAT rebate rate on exports are the same, the Department did not adjust Powermach's U.S. sales for irrecoverable VAT.

Normal Value

Section 773(c)(1) of the Act provides that the Department shall determine NV using the FOP methodology if the merchandise is exported from an NME and the information does not permit the calculation of NV using home market prices, third-country prices, or constructed value under section 773(a) of the Act. The Department bases NV on FOPs because the presence of government controls on various aspects of NMEs renders price comparisons and the calculation of production costs invalid under the Department's normal methodologies.¹²⁸ Therefore, in accordance with sections 773(c)(3) and (4) of the Act and 19 CFR 351.408(c), the Department calculated NV based on FOPs. Under section 773(c)(3) of the Act, FOPs include, but are not limited to: (1) hours of labor required; (2) quantities of raw materials employed; (3) amounts of energy and other utilities consumed; and (4) representative capital costs.¹²⁹

Factor Valuation Methodology

In accordance with section 773(c) of the Act, the Department calculated NV based on FOP data reported by the individually examined respondent, Powermach. To calculate NV, the Department multiplied the reported per-unit FOP consumption rates by publicly available SVs. When selecting SVs, the Department considered, among other factors, the quality, specificity, and contemporaneity of the SV data.¹³⁰ As appropriate, the Department adjusted FOP costs by including freight costs to make them delivered values. Specifically, the Department added a

¹²⁶ See Powermach Response to DOC May 5, 2016 Questionnaire at Exhibit SQ6-2; see also Powermach Response to DOC May 11, 2016 Questionnaire at SQ&-5 through 7 and Exhibits SQ7- 4 through 7.

¹²⁷ See *Polyethylene Terephthalate Film, Sheet, and Strip From the People's Republic of China: Final Results of Antidumping Duty Administrative Review and Final Determination of No Shipments; 2012-2013*, 80 FR 33241 (June 11, 2015), and accompanying Issues and Decision Memorandum at Comment 5; see also Powermach Preliminary Analysis Memorandum.

¹²⁸ See, e.g., *Preliminary Determination of Sales at Less Than Fair Value, Affirmative Critical Circumstances, In Part, and Postponement of Final Determination: Certain Lined Paper Products from the People's Republic of China*, 71 FR 19695, 19703 (April 17, 2006), unchanged in *Notice of Final Determination of Sales at Less Than Fair Value, and Affirmative Critical Circumstances, In Part: Certain Lined Paper Products From the People's Republic of China*, 71 FR 53079 (September 8, 2006).

¹²⁹ See section 773(c)(3)(A)-(D) of the Act.

¹³⁰ See, e.g., *Certain New Pneumatic Off-the-Road Tires from the People's Republic of China: Final Affirmative Determination of Sales at Less Than Fair Value and Partial Affirmative Determination of Critical Circumstances*, 73 FR 40485 (July 15, 2008), and accompanying Issues and Decision Memorandum at Comment 9.

surrogate freight cost, where appropriate, to surrogate input values using the shorter of the reported distance from the domestic supplier to the respondent's factory or the distance from the nearest seaport to the respondent's factory.¹³¹ A detailed description of the SVs used can be found in the Preliminary SV Memorandum.¹³²

Direct and Packing Materials

For the preliminary determination, the Department is using Thai import data, as published by GTA, and other publicly available sources from Thailand to calculate SVs for FOPs. In accordance with section 773(c)(1) of the Act, the Department used the best available information for valuing FOPs by selecting, to the extent practicable, SVs which are: (1) broad market averages, (2) product-specific, (3) tax-exclusive, non-export average values, and (4) contemporaneous with, or closest in time to, the POI.¹³³ The record shows that Thai import data obtained through GTA, as well as data from other Thai sources, are broad market averages, product-specific, tax-exclusive, and generally contemporaneous with the POI.¹³⁴

Pursuant to section 773(c)(5) of the Act and the Department's long-standing practice, the Department is disregarding SVs if it has a reason to believe or suspect the source data may comprise subsidized prices.¹³⁵ In this regard, the Department has previously found that it is appropriate to disregard such prices from India, Indonesia, South Korea and Thailand because we have determined that these countries maintain broadly available, non-industry specific export subsidies.¹³⁶ Based on the existence of the subsidy programs that were generally available to all exporters and producers in these countries at the time of the POI, the Department finds that it is reasonable to infer that all exporters from India, Indonesia, South Korea and Thailand may have

¹³¹ See *Sigma Corp. v. United States*, 117 F.3d 1401, 1407-08 (Fed. Cir. 1997).

¹³² See Memorandum from Krisha Hill, International Trade Compliance Analyst, AD/CVD Operations through Howard Smith, Program Manager, Office IV, AD/CVD Operations to The File "Preliminary Determination of the Antidumping Duty Investigation of Certain Iron Mechanical Transfer Drive Components from The People's Republic of China: Surrogate Value Memorandum" (May 31, 2016) ("Preliminary SV Memorandum").

¹³³ See, e.g., *Notice of Preliminary Determination of Sales at Less Than Fair Value, Negative Preliminary Determination of Critical Circumstances and Postponement of Final Determination: Certain Frozen and Canned Warmwater Shrimp From the Socialist Republic of Vietnam*, 69 FR 42672, 42682 (July 16, 2004), unchanged in *Final Determination of Sales at Less Than Fair Value: Certain Frozen and Canned Warmwater Shrimp From the Socialist Republic of Vietnam*, 69 FR 71005 (December 8, 2004).

¹³⁴ See Preliminary SV Memorandum.

¹³⁵ See section 505 of the Trade Preferences Extension Act of 2015, Pub. Law 114-27 (June 29, 2015) (amending section 773(c)(5) of the Act to permit Department to disregard price or cost values without further investigation if it has determined that certain subsidies existed with respect to those values); see also *Dates of Application of Amendments to the Antidumping and Countervailing Duty Laws Made by the Trade Preferences Extension Act of 2015*, 80 FR 46793, 46795 (August 6, 2015).

¹³⁶ See, e.g., *Certain Frozen Warmwater Shrimp From India: Final Results of Antidumping Duty Administrative Review and Final No Shipment Determination; 2011-2012*, 78 FR 42492 (July 16, 2013), and accompanying Issues and Decision Memorandum at 7-19; see also *Certain Lined Paper Products From Indonesia: Final Results of the Expedited Sunset Review of the Countervailing Duty Order*, 76 FR 73592 (November 29, 2011), and accompanying Issues and Decision Memorandum at 1; see also *Cut-to-Length Carbon-Quality Steel Plate From the Republic of Korea: Final Results of Countervailing Duty Administrative Review; 2012*, 79 FR 46770 (August 11, 2014), and accompanying Issues and Decision Memorandum at 4; see also *Certain Frozen Warmwater Shrimp From Thailand: Final Negative Countervailing Duty Determination*, 78 FR 50379 (August 19, 2013), and accompanying Issues and Decision Memorandum at IV.

benefitted from these subsidies. Therefore, the Department has not used prices from those countries in calculating the Thai import-based SVs.

Additionally, the Department disregarded data from NME countries when calculating Thai import-based per-unit SVs.¹³⁷ The Department also excluded from the calculation of Thai import-based per-unit SVs imports labeled as originating from an “unidentified” country because the Department could not be certain that these imports were not from either an NME country or a country with generally available export subsidies.¹³⁸

Energy

We valued electricity using data from the Provincial Electricity Authority, as compiled by the Board of Investment of Thailand. We valued water using data from Thailand’s Metropolitan Waterworks Authority, as compiled by the Board of Investment of Thailand. We valued diesel fuel using data from the Petroleum and Petrochemical Policy Bureau, Energy Policy and Planning Office, as compiled by the Board of Investment of Thailand. We valued natural gas using Thai GTA import statistics. We did not inflate or deflate the energy rates because they are contemporaneous with the POI.

Movement Services

As appropriate, we added freight costs to SVs. Specifically, we added surrogate inland freight costs to import values used as SVs. We calculated freight SVs using the shorter of the reported distance from the domestic supplier to the factory that produced the subject merchandise or the distance from the nearest port to the factory that produced the subject merchandise, where appropriate. This adjustment is in accordance with the Court of Appeals for the Federal Circuit’s decision in *Sigma Corp.*¹³⁹

We valued rail freight expenses using data from the State Railway of Thailand, as compiled by the Board of Investment of Thailand. We valued truck freight and brokerage and handling expenses using a price list for charges related to importing/exporting a standardized cargo of goods in and out of Thailand, as published in the World Bank’s *Doing Business 2016: Thailand*. We valued international ocean freight using rates obtained from Descartes Carrier Rate Retrieval Database. We did not inflate or deflate the rates for rail freight, truck freight, brokerage and handling, and international ocean freight expenses because they are contemporaneous with the POI. We valued marine insurance using a rate offered by PAF Shipping Insurance, which is an ME provider of marine insurance. This rate is a percentage of the value of the shipment; therefore, we did not inflate or deflate the rate.

¹³⁷ See *Notice of Preliminary Determination of Sales at Less Than Fair Value and Postponement of Final Determination: Chlorinated Isocyanurates From the People’s Republic of China*, 69 FR 75294, 75301 (December 16, 2004), unchanged in *Notice of Final Determination of Sales at Less Than Fair Value: Chlorinated Isocyanurates From the People’s Republic of China*, 70 FR 24502 (May 10, 2005).

¹³⁸ *Id.*

¹³⁹ See *Sigma Corp. v. United States*, 117 F.3d 1401, 1407-08 (Fed. Cir. 1997) (“*Sigma Corp.*”).

Labor

In *Labor Methodologies*,¹⁴⁰ the Department determined that the best methodology to value labor is to use industry-specific labor rates from the primary surrogate country. Additionally, we determined that the best data source for industry-specific labor rate is Chapter 6A: Labor Cost in Manufacturing, from the International Labor Organization ("ILO") Yearbook of Labor Statistics. However, this does not mean that other sources for labor costs may not be considered.¹⁴¹ Rather, we continue to follow our practice of selecting the best available information for valuing FOPs. We valued labor using Thailand's National Statistics Office ("NSO") data.¹⁴² The ILO cites these data as the source of its Thai labor data. The record contains contemporaneous NSO data from the general manufacturing category, as well as non-contemporaneous NSO data from an industry-specific category.¹⁴³ We used NSO data for general manufacturing wages, rather than the industry-specific NSO labor data because the Department has previously determined that general manufacturing wages in Thailand have increased much more than the rate of inflation (*i.e.*, Consumer Price Index) during this same approximate time frame.¹⁴⁴ Accordingly, we are preliminarily using the contemporaneous general manufacturing labor rates, which do not need to be adjusted for inflation, rather than the non-contemporaneous industry-specific labor rates, which would need to be adjusted for inflation.¹⁴⁵

Financial Ratios

According to 19 CFR 351.408(c)(4), the Department is directed to value overhead, selling, general and administrative ("SG&A") expenses, and profit using non-proprietary information gathered from producers of merchandise that is identical or comparable to the merchandise under consideration in the surrogate country. The Department's preference is to derive surrogate overhead expenses, SG&A expenses, and profit using financial statements covering a period that is contemporaneous with the POI,¹⁴⁶ that show a profit, from companies with a production experience similar to respondents' production experience, and that are not distorted or otherwise unreliable, such financial statements that indicate the company received subsidies.¹⁴⁷

¹⁴⁰ See *Antidumping Methodologies in Proceedings Involving Non-Market Economies: Valuing the Factor of Production: Labor*, 76 FR 36092 (June 21, 2011) ("*Labor Methodologies*").

¹⁴¹ See *Steel Wire Garment Hangers From the People's Republic of China: Preliminary Results of Antidumping Duty Administrative Review; 2012–2013*, 79 FR 65616 (November 5, 2014) and Issues and Decision Memorandum at 11.

¹⁴² See Petitioner's SV Comments at Exhibit 6.

¹⁴³ *Id.*; see also Powermach's SV Comments at Exhibit SV-5.

¹⁴⁴ See *Antidumping Duty Investigation of Certain Passenger Vehicle and Light Truck Tires From the People's Republic of China: Final Determination of Sales at Less Than Fair Value and Final Affirmative Determination of Critical Circumstances, In Part*, 80 FR 34893 (June 18, 2015) and accompanying Issues and Decision Memorandum at Comment 13.

¹⁴⁵ See Preliminary Surrogate Value Memorandum.

¹⁴⁶ See *Frozen Fish Fillets March 2013*.

¹⁴⁷ See *Hand Trucks and Certain Parts Thereof From the People's Republic of China: Final Results of Antidumping Duty Administrative Review; 2010–2011*, 78 FR 28801 (May 16, 2013) and accompanying Issues and Decision Memorandum at Comment 2; *Certain Kitchen Appliance Shelving and Racks From the People's Republic of China; 2010–2011; Final Results of Antidumping Duty Administrative Review*, 78 FR 5414 (January 25, 2013), and accompanying Issues and Decision Memorandum at Comment 1.

The record contains the audited financial statements of Sino-Thai Metal Casting Co. (“Sino-Thai”) and Somboon Advance Technology (“Somboon”) for the year ending December 2014, Thai Iron Foundry (“Thai Iron”) for the year ending June 2014, and Thai Ductile Industry Company (Thai-Ductile”) for the year ending February 2014. None of these financial statements cover a period that is contemporaneous with the POI but all show a profit. We were unable to determine whether Sino-Thai produces merchandise that is identical or comparable to the merchandise under consideration due a lack of information on the record regarding Sino-Thai’s production process and the characteristics of the products produced. Due to this lack of information, we have preliminarily determined not use Sino-Thai’s financial statements in our calculations. Somboon’s financial statements indicate that it benefits from the Industrial Investment Promotion Act of B.E. 2520 (“IPA”).¹⁴⁸ In *Warmwater Shrimp*, we found that benefits provided under the IPA were export contingent under sections 771(5A)(A) and (B) of the Act.¹⁴⁹ Thus, the Department has found this program to provide a countervailable subsidy. Therefore, we have preliminarily determined not to use Somboon’s financial statements in our calculations. The record indicates that both Thai Iron and Thai Ductile produce merchandise that is identical to the merchandise under consideration, and have integrated production facilities, as does Powermach. Both Thai Iron and Thai Ductile are fully integrated because they melt iron to produce castings. Record evidence indicates that Powermach’s production process is also integrated because it begins with the melting process.¹⁵⁰ Thus, we find Powermach’s level of integration to be at a similar level to both Thai Iron and Thai Ductile. Therefore, the Department has valued factory overhead, SG&A and profit using a simple average of Thai Iron’s and Thai Ductile’s financial information.¹⁵¹

Currency Conversion

Where appropriate, the Department made currency conversions into U.S. dollars, in accordance with section 773A(a) of the Act and 19 CFR 351.415, based on the exchange rates in effect on the dates of the U.S. sales, as certified by the Federal Reserve Bank.

Verification

As provided in section 782(i)(1) of the Act, we intend to verify the information used to calculate the rate for Powermach and upon which we will rely in making our final determination.

Export Subsidy Adjustment

Section 772(c)(1)(C) of the Act states that U.S. price “shall be increased by the amount of any countervailing duty imposed on the subject merchandise . . . to offset an export subsidy.”¹⁵² The Department determined in the preliminary results of the companion countervailing duty (“CVD”)

¹⁴⁸ See Petitioner’s SV Comments at Exhibit 13 (Somboon’s 2014 audited financial statements at Note 28).

¹⁴⁹ See *Certain Frozen Warmwater Shrimp From Thailand: Final Negative Countervailing Duty Determination*, 78 FR 50379 (August 19, 2013) and accompanying Issues and Decision Memorandum at 7-8.

¹⁵⁰ See Powermach March 15, 2016, Response at Exhibit A-SQ1-14.

¹⁵¹ See Preliminary Surrogate Value Memorandum.

¹⁵² See, e.g., *Carbazole Violet Pigment 23 from India: Final Results of Antidumping Duty Administrative Review*, 75 FR 38076, 38077 (July 1, 2010), and accompanying Issues and Decision Memorandum at Comment 1.

investigation that Powermach did not benefit from an export subsidy. The rate for all-others companies in the CVD case was based on Powermach's rate, and thus the all-others companies did not receive an export subsidy rate. Therefore, no offset to Powermach's or the separate rate entities' (cash deposit rates for export subsidies is necessary. Additionally, we likewise are not adjusting the cash deposit rate applicable to the PRC-wide entity for export subsidies.

Adjustment Under Section 777A(f) of the Act

In applying section 777A(f) of the Act in this investigation, the Department examined (1) whether a countervailable subsidy (other than an export subsidy) has been provided with respect to a class or kind of merchandise, (2) whether such countervailable subsidy has been demonstrated to have reduced the average price of imports of the class or kind of merchandise during the relevant period, and (3) whether the Department can reasonably estimate the extent to which that countervailable subsidy, in combination with the use of NV determined pursuant to section 773(c) of the Act, has increased the weighted average dumping margin for the class or kind of merchandise.¹⁵³ For a subsidy meeting these criteria, the statute requires the Department to reduce the antidumping duty by the estimated amount of the increase in the weighted average dumping margin subject to a specified cap.¹⁵⁴

Since the Department has relatively recently started conducting an analysis under section 777A(f) of the Act, the Department is continuing to refine its practice in applying this section of the law. The Department examined whether Powermach demonstrated: (1) a subsidies-to-cost link, *e.g.*, subsidy impact on cost of manufacture ("COM"); and (2) a cost-to-price link, *e.g.*, respondent's prices changed as a result of changes in the COM.

As a result of our analysis, the Department is preliminarily not making any adjustments to the calculation of the cash deposit rate for antidumping duties for Powermach and companies that are not being individually examined but preliminarily are being granted separate-rate status in this investigation, pursuant to section 777A(f) of the Act, in the manner described below.

The Department examined the imported subject merchandise price trends contained in the preliminary report issued by the ITC.¹⁵⁵ In which the ITC concluded that "Prices generally increased during January 2012 to September 2015."¹⁵⁶ Based on this information, the Department preliminarily finds that prices of imports of the class or kind of merchandise during the relevant period increased. Based on these data, the Department does not find a general decrease in the U.S. average import price during the relevant period. Thus, the Department preliminarily finds that the requirement under section 777 A(f)(1)(B) of the Act has not been met, and the Department did not make an adjustment under Section 777A(f) of the Act.

¹⁵³ See Section 777A(f)(1)(A)-(C) of the Act.

¹⁵⁴ See Section 777A(f)(1)-(2) of the Act.

¹⁵⁵ See ITC Preliminary Determination at page V-7, table V-11, and figure V-3 (IMTDCs: Weighted-average prices and quantities of domestic and imported product, by quarters, January 2012-September 2015).

¹⁵⁶ *Id.*

INTERNATIONAL TRADE COMMISSION NOTIFICATION

In accordance with section 733(f) of the Act, we will notify the ITC of our preliminary affirmative determination of sales at LTFV. Section 735(b)(2) of the Act requires the ITC to make its final determination as to whether the domestic industry in the United States is materially injured, or threatened with material injury, by reason of imports of IMTDC, or sales (or the likelihood of sales) for importation, of the merchandise under consideration within 45 days of our final determination.

CONCLUSION

We recommend applying the above methodology for this preliminary determination.



Agree

Disagree



Paul Piquado
Assistant Secretary
for Enforcement and Compliance

31 MAY 2016
(Date)