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DEPARTMENT OF COMMERCE

International Trade Administration

[C-570-031]

Countervailing Duty Investigation of Certain Iron Mechanical Transfer Drive Components from the People's Republic of China: Preliminary Affirmative Determination and Alignment of Final Determination With Final Antidumping Duty Determination

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

SUMMARY: The Department of Commerce (the Department) preliminarily determines that countervailable subsidies are being provided to producers and exporters of certain iron mechanical transfer drive components ("ITDCs") from the People's Republic of China ("PRC"). The period of investigation is January 1, 2014, through December 31, 2014. We invite interested parties to comment on this preliminary determination.

DATES: Effective Date: [Insert date of publication in the *Federal Register*].

FOR FURTHER INFORMATION CONTACT: Brandon Farlander, Robert Galantucci, and Robert Bolling, AD/CVD Operations, Office IV, Enforcement and Compliance, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230; telephone (202) 482-0182, (202) 482-2923, or (202) 482-3434, respectively.

## SUPPLEMENTARY INFORMATION:

### *Scope Comments*

In accordance with the preamble to the Department's regulations,<sup>1</sup> we set aside a period of time in our *Initiation Notice* for parties to raise issues regarding product coverage, and we encouraged all parties to submit comments within 20 calendar days of the signature date of that notice.<sup>2</sup>

We received several comments concerning the scope of the antidumping duty ("AD") and CVD investigations of ITDCs from the PRC and Canada. On March 30, 2016, Petitioner filed an amendment to the scope to exclude certain finished torsional vibration dampeners ("TVDs"), as defined in the amended scope.<sup>3</sup> Petitioner also noted that it is considering a potential additional exclusion to the scope to cover certain parts of TVDs.<sup>4</sup> Also, on March 30, 2016, NOK Wuxi notified the Department of its intent to withdraw from participation in this investigation, contingent on the Department's acceptance and inclusion of Petitioner's amendment to the scope.<sup>5</sup> Because Petitioner's proposed scope amendment was filed two days before the due date for the preliminary determination, the Department does not have sufficient time before the fully extended scheduled signature due date of the CVD preliminary determination to consider this proposed amendment to the scope. However, the Department will evaluate the scope comments and intends to issue its preliminary decision regarding the scope of the AD and CVD

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<sup>1</sup> See *Antidumping Duties; Countervailing Duties; Final Rule*, 62 FR 27296, 27323 (May 19, 1997) ("Preamble").

<sup>2</sup> See *Certain Iron Mechanical Transfer Drive Components From the People's Republic of China: Initiation of Countervailing Duty Investigation*, 80 FR 73722 (November 25, 2015).

<sup>3</sup> See Submission of Petitioner, "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.

<sup>4</sup> *Id.*

<sup>5</sup> See Submission of NOK Wuxi, "Certain Iron Mechanical Transfer Drive Components from the People's Republic of China: Withdrawal from Investigation," dated March 30, 2016.

investigations in the preliminary determination of the companion antidumping investigations, which are due for signature on May 31, 2016.

### *Scope of the Investigation*

The products covered by this investigation are ITDCs from the PRC. For a complete description of the scope of this investigation, *see* Appendix II to this notice.

### *Methodology*

The Department is conducting this countervailing duty (“CVD”) investigation in accordance with section 701 of the Tariff Act of 1930, as amended (“the Act”). For each of the subsidy programs found countervailable, we preliminarily determine that there is a subsidy, *i.e.*, a financial contribution by an “authority” that gives rise to a benefit to the recipient, and that the subsidy is specific.<sup>6</sup> For a full description of the methodology underlying our preliminary conclusions, *see* the Preliminary Decision Memorandum.<sup>7</sup> A list of topics discussed in the Preliminary Decision Memorandum is included as Appendix I to this notice. The Preliminary Decision Memorandum is a public document and is on file electronically via Enforcement and Compliance’s Antidumping and Countervailing Duty Centralized Electronic Service System (ACCESS). ACCESS is available to registered users at <http://access.trade.gov>, and is available to all parties in the Central Records Unit, room B8024 of the main Department of Commerce building. In addition, a complete version of the Preliminary Decision Memorandum can be

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<sup>6</sup> *See* sections 771(5)(B) and (D) of the Act regarding financial contribution; section 771(5)(E) of the Act regarding benefit; and section 771(5A) of the Act regarding specificity.

<sup>7</sup> *See* Memorandum from Christian Marsh, Deputy Assistant Secretary for Antidumping and Countervailing Duty Operations, to Paul Piquado, Assistant Secretary for Enforcement and Compliance, “Decision Memorandum for the Preliminary Affirmative Countervailing Duty Determination in the Countervailing Duty Investigation of Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China,” dated concurrently with, and hereby adopted by, this notice (“Preliminary Decision Memorandum”).

accessed directly at <http://enforcement.trade.gov/frn/>. The signed Preliminary Decision Memorandum and the electronic version are identical in content.

The Department notes that, in making these findings, we relied, in part, on facts available and, because we find that one or more respondents did not act to the best of their ability to respond to the Department's requests for information, we drew an adverse inference where appropriate in selecting from among the facts otherwise available.<sup>8</sup> For further information, *see* "Use of Facts Otherwise Available and Adverse Inferences" in the Preliminary Decision Memorandum.

#### *Alignment*

As noted in the Preliminary Determination Memorandum, based on a request made by the petitioner TB Wood's Incorporated, we are aligning the final CVD investigation in this investigation with the final determination in the companion AD investigation of ITDCs in accordance with section 705(a)(1) of the Act and 19 CFR 351.210(b)(4).<sup>9</sup> Consequently, the final CVD determination will be issued on the same date as the final AD determination, which is currently scheduled to be issued no later than August 14, 2016, unless postponed.<sup>10</sup>

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<sup>8</sup> *See* sections 776(a) and (b) of the Act.

<sup>9</sup> *See* Letter from Petitioner, "Certain Iron Mechanical Transfer Drive Components from the People's Republic of China: Petitioner's Request to Align the Countervailing Duty Final Determination with the Companion Antidumping Duty Final Determination," dated March 24, 2016.

<sup>10</sup> We note that the current deadline for the final AD determination is August 14, 2016, which is a Sunday. Pursuant to Department practice, the signature date will be the next business day, which is Monday, August 15, 2016. *See 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).

*Preliminary Determination and Suspension of Liquidation*<sup>11</sup>

In accordance with section 703(d)(1)(A)(i) of the Act, we calculated an individual estimated countervailable subsidy rate for each exporter/producer of the subject merchandise individually investigated. Additionally, in accordance with sections 703(d) and 705(c)(5)(A) of the Act, for companies not individually investigated, we apply an “all-others” rate, which is normally calculated by weight averaging the subsidy rates of the companies selected for individual investigation by those companies’ exports of the subject merchandise to the United States, excluding rates that are zero or *de minimis* or any rates determined entirely on the facts otherwise available. Accordingly, in these preliminary results, we have calculated the “all-others” rate by weight-averaging the calculated subsidy rates of the two individually investigated respondents, using the respondent’s publicly-ranged sales data for exports of subject merchandise to the United States.<sup>12</sup> We preliminarily determine the countervailable subsidy rates to be:

<b>Exporter/Producer</b>	<b>Subsidy Rate</b>
NOK (Wuxi) Vibration Control China Co., Ltd., and Wuxi NOK - Freudenberg Oil Seal Co., Ltd.	2.68 percent
Powermach Import & Export Co., Ltd. (Sichuan), Sichuan Dawn Precision Technology Co., Ltd., Sichuan Dawn Foundry Co. Ltd., and Powermach Machinery Co., Ltd.	33.94 percent
Changzhou Baoxin Metallurgy Equipment Manufacturing Co. Ltd.*	166.77 percent

<sup>11</sup> As explained in the memorandum from the Acting Assistant Secretary for Enforcement and Compliance, the Department has exercised its discretion to toll all administrative deadlines due to the recent closure of the Federal Government. See Memorandum to the Record from Ron Lorentzen, Acting A/S for Enforcement & Compliance, regarding “Tolling of Administrative Deadlines As a Result of the Government Closure During Snowstorm Jonas,” dated January 27, 2016. All deadlines in this segment of the proceeding have been extended by four business days. The revised deadline for the preliminary determination of this investigation is now April 1, 2016.

<sup>12</sup> See Memorandum to the File, “Countervailing Duty Investigation of Certain Iron Mechanical Transfer Drive Components from the People’s Republic of China: Preliminary Determination Margin Calculation for All-Others,” dated concurrently with this memorandum.

Changzhou Changjiang Gear Co., Ltd.*	166.77 percent
Changzhou Gangyou Lifting Equipment Co., Ltd.*	166.77 percent
Changzhou Juling Foundry Co., Ltd.*	166.77 percent
Changzhou Liangjiu Mechanical Manufacturing Co Ltd.*	166.77 percent
Changzhou New Century Sprocket Group Company*	166.77 percent
Changzhou Xiangjin Precision Machinery Co., Ltd.*	166.77 percent
FIT Bearings*	166.77 percent
Fuzhou Minyue Mechanical & Electrical Co., Ltd.*	166.77 percent
Hangzhou Chinabase Machinery Co., Ltd.*	166.77 percent
Hangzhou Ever Power Transmission Group*	166.77 percent
Hangzhou Vision Chain Transmission Co., Ltd.*	166.77 percent
Hangzhou Xingda Machinery Co., Ltd.*	166.77 percent
Henan Xinda International Trading Co., Ltd.*	166.77 percent
Henan Zhiyuan Machinery Sprocket Co. Ltd.*	166.77 percent
Jiangsu Songlin Automobile Parts Co., Ltd*	166.77 percent
Martin Sprocket & Gear (Changzhou) Co., Ltd.*	166.77 percent
Ningbo Blue Machines Co., Ltd.*	166.77 percent
Ningbo Fulong Synchronous Belt Co., Ltd.*	166.77 percent
Ningbo Royu Machinery Co., Ltd.*	166.77 percent
Praxair Surface Technologies*	166.77 percent
Qingdao Dazheng Jin Hao International Trade Co., Ltd.*	166.77 percent
Quanzhou Licheng Xintang Automobile Parts Co., Ltd. (“XTP Auto Parts”)*	166.77 percent
Shangyu Shengtai Machinery Co., Ltd.*	166.77 percent
Shenzhen Derui Sourcing Co., Ltd.*	166.77 percent
Shengzhou Shuangdong Machinery Co., Ltd.*	166.77 percent
Shengzhou Xinglong Machinery*	166.77 percent
Sichuan Reach Jiayuan Machinery Co. Ltd.*	166.77 percent
Tran-Auto Industries Co. Ltd.*	166.77 percent

Ubet Machinery*	166.77 percent
All-Others	15.51 percent

\* Non-cooperative company to which an adverse facts available rate is being applied. See “Use of Facts Otherwise Available and Adverse Inferences,” section in the Preliminary Decision Memorandum.

In accordance with sections 703(d)(1)(B) and (d)(2) of the Act, we are directing U.S. Customs and Border Protection to suspend liquidation of all entries of ITDCs from the PRC as described in the “Scope of the Investigation” that are entered, or withdrawn from warehouse, for consumption on or after the date of the publication of this notice in the *Federal Register*, and to require a cash deposit for such entries of merchandise in the amounts indicated above.

*Verification*

As provided in section 782(i)(1) of the Act, we intend to verify the information submitted by the respondents prior to making our final determination.

*International Trade Commission Notification*

In accordance with section 703(f) of the Act, we will notify the International Trade Commission (“ITC”) of our determination. In addition, we are making available to the ITC all non-privileged and non-proprietary information relating to this investigation. We will allow the ITC access to all privileged and business proprietary information in our files, provided the ITC confirms that it will not disclose such information, either publicly or under an administrative protective order, without the written consent of the Assistant Secretary for Enforcement and Compliance.

In accordance with section 705(b)(2) of the Act, if our final determination is affirmative, the ITC will make its final determination within 45 days after the Department makes its final determination.

*Disclosure and Public Comment*

The Department intends to disclose to interested parties the calculations performed in connection with this preliminary determination within five days of its public announcement.<sup>13</sup> Interested parties may submit case and rebuttal briefs, as well as request a hearing.<sup>14</sup> For a schedule of the deadlines for filing case briefs, rebuttal briefs, and hearing requests, *see* the Preliminary Decision Memorandum.

This determination is issued and published pursuant to sections 703(f) and 777(i) of the Act and 19 CFR 351.205(c).

Dated: April 1, 2016.

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Paul Piquado,  
Assistant Secretary  
for Enforcement and Compliance.

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<sup>13</sup> *See* 19 CFR 351.224(b).

<sup>14</sup> *See* 19 CFR 351.309(c)-(d), 19 CFR 351.310(c).

## **Appendix I**

### **List of Topics Discussed in the Preliminary Decision Memorandum**

- I. Summary
- II. Background
- III. Alignment
- IV. Scope Comments
- V. Scope of the Investigation
- VI. Injury Test
- VII. Application of the CVD Law to Imports from the PRC
- VIII. Subsidies Valuation
- IX. Benchmarks and Interest Rates
- X. Use of Facts Otherwise Available and Adverse Inferences
- XI. Analysis of Programs
- XII. Disclosure and Public Comment
- XIII. Conclusion

## **Appendix II**

### **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.

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.

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.  
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