



DEPARTMENT OF COMMERCE

International Trade Administration

[C-570-116]

Forged Steel Fluid End Blocks from the People's Republic of China: Final Affirmative Countervailing Duty Determination

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

SUMMARY: The Department of Commerce (Commerce) determines that countervailable subsidies are being provided to producers and exporters of forged steel fluid end blocks (fluid end blocks) from the People's Republic of China (China).

DATES: Applicable [INSERT DATE OF PUBLICATION IN THE *FEDERAL REGISTER*].

FOR FURTHER INFORMATION CONTACT: Jaron Moore or Janae Martin, AD/CVD Operations, Office VIII, Enforcement and Compliance, International Trade Administration, U.S. Department of Commerce, 1401 Constitution Avenue, NW, Washington, DC 20230; telephone: (202) 482-3640 or (202) 482-0238, respectively.

SUPPLEMENTARY INFORMATION:

Background

On May 26, 2020, Commerce published the *Preliminary Determination* of this countervailing duty (CVD) investigation, which also aligned the final determination of this CVD investigation with the final determination of the concurrent antidumping duty (AD) investigation.<sup>1</sup> A summary of the events that occurred since Commerce published the *Preliminary Determination*, as well as a full discussion of the issues raised by parties for this final determination, may be found in the Issues and Decision Memorandum which is hereby

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<sup>1</sup> See *Forged Steel Fluid End Blocks from the People's Republic of China: Preliminary Affirmative Countervailing Duty Determination, and Alignment of Final Determination With Final Antidumping Duty Determination*, 85 FR 31457 (May 26, 2020) (*Preliminary Determination*).

adopted by this notice.<sup>2</sup> The Issues and 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>. In addition, a complete version of the Final Decision Memorandum can be accessed directly at <http://enforcement.trade.gov/frn/>. The signed and electronic versions of the Issues and Decision Memorandum are identical in content.

### Period of Investigation

The period of investigation is January 1, 2018 through December 31, 2018.

### Scope of the Investigation

The products covered by this investigation are fluid end blocks from China. For a complete description of the scope of this investigation, *see* Appendix I.

### Scope Comments

During the course of this investigation, Commerce received scope comments from interested parties. Commerce issued a Preliminary Scope Decision Memorandum to address these comments.<sup>3</sup> We received comments from interested parties on the Preliminary Scope Memorandum, which we address in the Final Scope Decision Memorandum, dated concurrently with, and hereby adopted by, this final determination.<sup>4</sup> Commerce is not modifying the scope language as it appeared in the *Preliminary Determination*. *See* Appendix I for the final scope of the investigation.

### Analysis of Subsidy Programs and Comments Received

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<sup>2</sup> *See* Memorandum, "Issues and Decision Memorandum for the Final Affirmative Determination of the Countervailing Duty Investigation of Forged Steel Fluid End Blocks from the People's Republic of China," dated concurrently with, and hereby adopted by, this notice (Issues and Decision Memorandum).

<sup>3</sup> *See* Memorandum to the File, "Forged Steel Fluid End Blocks from the Federal Republic of Germany, India, Italy, and the People's Republic of China: Scope Comments Decision Memorandum for the Preliminary Determinations," dated May 18, 2020 (Preliminary Scope Decision Memorandum).

<sup>4</sup> *See* Memorandum, "Forged Steel Fluid End Blocks from the Federal Republic of Germany, India, Italy, and the People's Republic of China: Scope Comments Decision Memorandum for the Final Determinations," dated December 7, 2020 (Final Scope Decision Memorandum).

The subsidy programs under investigation and the issues raised in the case and rebuttal briefs by parties in this investigation are discussed in the Issues and Decision Memorandum. A list of the issues raised by parties is attached to this notice at Appendix II.

### Methodology

Commerce conducted this investigation in accordance with section 701 of the Tariff Act of 1930, as amended (the Act). For each of the subsidy programs found countervailable, Commerce determines 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>5</sup> For a full description of the methodology underlying our final determination, *see* the Issues and Decision Memorandum.

In making this final determination, Commerce relied, in part, on facts available pursuant to section 776(a) of the Act. Additionally, as discussed in the Issues and Decision Memorandum, because one or more respondents did not act to the best of their ability in responding to our requests for information, we drew adverse inferences, where appropriate, in selecting from among the facts otherwise available, pursuant to section 776(b) of the Act.<sup>6</sup>

### Verification

Commerce normally verifies information relied upon in making its final determination, pursuant to section 782(i)(1) of the Tariff Act of 1930, as amended (the Act). However, during the course of this investigation, we were unable to conduct on-site verification due to travel restrictions.<sup>7</sup> Consistent with section 776(a)(2)(D) of the Act, Commerce relied on the information submitted on the record, which we used in making our *Preliminary Determination* and *Post-Preliminary Determination*,<sup>8</sup> as facts available in making our final determination.

### All-Others Rate

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<sup>5</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>6</sup> *See* Issues and Decision Memorandum at “Use of Facts Otherwise Available and Adverse Inferences” section.

<sup>7</sup> *See* Memorandum, “Cancellation of Verification and Setting of Briefing Schedule,” dated October 5, 2020.

<sup>8</sup> *See* Memorandum, “Post-Preliminary Analysis of Countervailing Duty Investigation: Forged Steel Fluid End Blocks from the People’s Republic of China,” dated September 18, 2020 (Post-Preliminary Determination).

We continue to calculate the all-others rate using a weighted average of the individual estimated subsidy rates calculated for the examined respondents (Shanghai Qinghe Machinery Co., Ltd. and Nanjing Develop Advanced Manufacturing Co., Ltd.) using each company’s publicly-ranged data for the value of their exports to the United States of subject merchandise.<sup>9</sup>

Final Determination

Commerce determines that the following estimated countervailable subsidy rates exist:

<b>Company</b>	<b>Subsidy Rate <i>ad valorem</i></b>
Nanjing Develop Advanced Manufacturing Co., Ltd. <sup>10</sup>	16.80 percent
Shanghai Qinghe Machinery Co., Ltd. <sup>11</sup>	19.88 percent
China Machinery Industrial Products Co., Ltd.	337.07 percent <sup>12</sup>
Anhui Tianyu Petroleum Equipment Manufacturing Co., Ltd.	
CNCCC Sichuan Imp & Exp Co., Ltd.	
GE Petroleum Equipment (Beijing) Co., Ltd.	
Jiaxing Shenghe Petroleum Machinery Co., Ltd.	
Ningbo Minmetals & Machinery Imp & Exp Co., Ltd.	
Qingdao RT G&M Co., Ltd.	
Shandong Fenghuang Foundry Co., Ltd.	
Shandongshengjin Ruite Energy Equipment Co., Ltd. (part of Shengli Oilfield R&T Group)	
Shanghai Baisheng Precision Machine	
Shanghai Boss Petroleum Equipment	
Shanghai CP Petrochemical and General Machinery Co., Ltd.	
Suzhou Douson Drilling & Production Equipment Co., Ltd.	
Zhangjiagang Haiguo New Energy Equipment Manufacturing Co., Ltd.	
Anhui Yingliu Electromechanical Co., Ltd.	

<sup>9</sup> See *Preliminary Determination*, 85 FR 31457; see also Memorandum, “AFA Calculation Memorandum for the Final Determination in the Investigation of Forged Steel Fluid End Blocks from the People’s Republic of China,” dated December 7, 2020.

<sup>10</sup> Commerce has found the following company to be cross-owned with Nanjing Develop Advanced Manufacturing Co., Ltd.: Nanjing Develop Industrial and Commercial Co., Ltd.

<sup>11</sup> Commerce has found the following companies to be cross-owned with Shanghai Qinghe Machinery Co., Ltd.: Haimo Technologies Group Corp. and Lanzhou Chenglin Oil Drilling Equipment Co., Ltd.

<sup>12</sup> For discussion of the calculation of this rate, see Memorandum, “Countervailing Duty Investigation of Forged Steel Fluid End Blocks from the People’s Republic of China: Final Determination Calculation of AFA Rate,” dated December 7, 2020

Daye Special Steel Co., Ltd., (Citic Specific Steel Group)	
Suzhou Fujie Machinery Co., Ltd., (Fujie Group)	
All Others	19.52 percent <sup>13</sup>

### Disclosure

Commerce intends to disclose to interested parties the calculations and analysis performed in this final determination within five days of any public announcement or, if there is no public announcement, within five days of the date of the publication of this notice in proceeding in accordance with 19 CFR 351.224(b).

### Continuation of Suspension of Liquidation

As a result of our *Preliminary Determination* and pursuant to sections 703(d)(1)(B) and (d)(2) of the Act, we instructed U.S. Customs and Border Protection (CBP) to suspend liquidation of entries of subject merchandise as described in the scope of the investigation section entered, or withdrawn from warehouse, for consumption on May 26, 2020, the date of publication of the *Preliminary Determination* in the *Federal Register*. In accordance with section 703(d) of the Act, effective September 23, 2020, we instructed CBP to discontinue the suspension of liquidation of all entries at that time, but to continue the suspension of liquidation of all entries between May 26, 2020 and September 22, 2020.

If the U.S. International Trade Commission (ITC) issues a final affirmative injury determination, we will issue a CVD order and require a cash deposit of estimated countervailing duties for entries of subject merchandise in the amounts indicated above, in accordance with section 706(a) of the Act. If the ITC determines that material injury, or threat of material injury, does not exist, this proceeding will be terminated, and all estimated duties deposited or securities posted as a result of the suspension of liquidation will be refunded or canceled.

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<sup>13</sup> For discussion of the calculation of this rate, *see* Memorandum, “Countervailing Duty Investigation of Forged Steel Fluid End Blocks from the People’s Republic of China: Final Determination Calculation of All-Other’s Rate,” dated December 7, 2020

## ITC Notification

In accordance with section 705(d) of the Act, Commerce will notify the ITC of its final affirmative determination that countervailable subsidies are being provided to producers and exporters of fluid end blocks from China. As Commerce's final determination is affirmative, in accordance with section 705(b) of the Act, the ITC will determine, within 45 days, whether the domestic industry in the United States is materially injured, or threatened with material injury. In addition, we are making available to the ITC all non-privileged and nonproprietary information related 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 (APO), without the written consent of the Assistant Secretary for Enforcement and Compliance.

## Notification Regarding Administrative Protective Orders

In the event that the ITC issues a final negative injury determination, this notice will serve as the only reminder to parties subject to an APO of their responsibility concerning the destruction of proprietary information disclosed under APO in accordance with 19 CFR 351.305(a)(3). Timely written notification of the return/destruction of APO materials or conversion to judicial protective order is hereby requested. Failure to comply with the regulations and terms of an APO is a violation which is subject to sanction.

## Notification to Interested Parties

This determination is issued and published pursuant to sections 705(d) and 777(i) of the Act and 19 CFR 351.210(c).

Dated: December 7, 2020.

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Jeffery I. Kessler,  
Assistant Secretary  
for Enforcement and Compliance.

## APPENDIX I

### Scope of the Investigation

The products covered by this investigation are forged steel fluid end blocks (fluid end blocks), whether in finished or unfinished form, and which are typically used in the manufacture or service of hydraulic pumps.

The term “forged” is an industry term used to describe the grain texture of steel resulting from the application of localized compressive force. Illustrative forging standards include, but are not limited to, American Society for Testing and Materials (ASTM) specifications A668 and A788.

For purposes of this investigation, the term “steel” denotes metal containing the following chemical elements, by weight: (i) iron greater than or equal to 60 percent; (ii) nickel less than or equal to 8.5 percent; (iii) copper less than or equal to 6 percent; (iv) chromium greater than or equal to 0.4 percent, but less than or equal to 20 percent; and (v) molybdenum greater than or equal to 0.15 percent, but less than or equal to 3 percent. Illustrative steel standards include, but are not limited to, American Iron and Steel Institute (AISI) or Society of Automotive Engineers (SAE) grades 4130, 4135, 4140, 4320, 4330, 4340, 8630, 15-5, 17-4, F6NM, F22, F60, and XM25, as well as modified varieties of these grades.

The products covered by this investigation are: (1) cut-to-length fluid end blocks with an actual height (measured from its highest point) of 8 inches (203.2 mm) to 40 inches (1,016.0 mm), an actual width (measured from its widest point) of 8 inches (203.2 mm) to 40 inches (1,016.0 mm), and an actual length (measured from its longest point) of 11 inches (279.4 mm) to 75 inches (1,905.0 mm); and (2) strings of fluid end blocks with an actual height (measured from its highest point) of 8 inches (203.2 mm) to 40 inches (1,016.0 mm), an actual width (measured from its widest point) of 8 inches (203.2 mm) to 40 inches (1,016.0 mm), and an actual length (measured from its longest point) up to 360 inches (9,144.0 mm).

The products included in the scope of this investigation have a tensile strength of at least 70 KSI (measured in accordance with ASTM A370) and a hardness of at least 140 HBW (measured in accordance with ASTM E10).

A fluid end block may be imported in finished condition (i.e., ready for incorporation into a pump fluid end assembly without further finishing operations) or unfinished condition (i.e., forged but still requiring one or more finishing operations before it is ready for incorporation into a pump fluid end assembly). Such finishing operations may include: (1) heat treating; (2) milling one or more flat surfaces; (3) contour machining to custom shapes or dimensions; (4) drilling or boring holes; (5) threading holes; and/or (6) painting, varnishing, or coating.

Excluded from the scope of this investigation are fluid end block assemblies which (1) include (a) plungers and related housings, adapters, gaskets, seals, and packing nuts, (b) valves and related seats, springs, seals, and cover nuts, and (c) a discharge flange and related seals, and (2) are otherwise ready to be mated with the “power end” of a hydraulic pump without the need for installation of any plunger, valve, or discharge flange components, or any other further manufacturing operations.

The products included in the scope of this investigation may enter under Harmonized Tariff Schedule of the United States (HTSUS) subheadings 7218.91.0030, 7218.99.0030, 7224.90.0015, 7224.90.0045, 7326.19.0010, 7326.90.8688, or 8413.91.9055. While these

HTSUS subheadings are provided for convenience and customs purposes, the written description of the scope of the investigation is dispositive.

## APPENDIX II

### List of Topics Discussed in the Issues and Decision Memorandum

- I. Summary
- II. Background
- III. Use of Facts Otherwise Available and Adverse Inferences
- IV. Subsidies Valuation
- V. Analysis of Programs
- VI. Analysis of Comments

Comment 1: Whether to Continue Applying Adverse Facts Available (AFA) to the Export Buyer's Credit (EBC) Program

Comment 2: Whether the Provision of Electricity is Countervailable

Comment 3: Whether Commerce Should Revise the Electricity Benchmark

Comment 4: Whether to Revise the Import Duty Rate in the Benchmark

Comment 5: Whether Commerce Should Use Haimo's Unconsolidated Sales Value for Its Denominator

Comment 6: Whether Commerce Should Include Other Revenue in the Sales Values of Qinghe and Lanzhou Chenglin

Comment 7: Whether Commerce Correctly Calculated Qinghe's Benefit under the Income Tax Deduction for Research and Development (R&D) Expenses Under the Enterprise Income Tax Law

Comment 8: Calculation of Qinghe's Other Subsidies Benefits

### VII. Recommendation

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