



A-475-840
Investigation
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July 16, 2020

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

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

SUBJECT: Decision Memorandum for the Preliminary Affirmative
Determination in the Less-Than-Fair-Value Investigation of
Forged Steel Fluid End Blocks from Italy

I. SUMMARY

The U.S. Department of Commerce (Commerce) preliminarily determines that forged fluid end blocks (fluid end blocks) from Italy are being, or are likely to be, sold in the United States at less than fair value (LTFV) as provided in section 733(b) of the Tariff Act of 1930, as amended (the Act). The estimated weighted-average dumping margin is shown in the “Preliminary Determination” section of the accompanying *Federal Register* notice.

II. BACKGROUND

On December 19, 2019, Commerce received an antidumping duty (AD) petition concerning imports of fluid end blocks from Italy filed in proper form on behalf of the FEB Fair Trade Coalition, Ellwood Group (comprised of Ellwood City Forge Company, Ellwood Quality Steels Company, and Ellwood National Steel Company), and A. Finkl & Sons, Company (collectively, the petitioners), domestic producers of fluid end blocks.¹ On January 8, 2020, Commerce initiated the AD investigation on fluid end blocks from Italy.²

In the *Initiation Notice*, Commerce notified the public that it intended to select respondents based on responses to quantity and value (Q&V) questionnaires issued to each potential respondent

¹ See Petitioners’ Letter, “Fluid End Blocks from China, Germany, India, and Italy: Antidumping and Countervailing Duty Petitions,” dated December 19, 2019 (Petitions).

² See *Forged Steel Fluid End Blocks from the Federal Republic of Germany, India, and Italy: Initiation of Less-Than-Fair-Value Investigations*, 85 FR 2394 (January 15, 2020) (*Initiation Notice*).

identified in the Petitions.³ On January 9, 2020, we issued Q&V questionnaires to all companies identified publicly in the Petitions as Italian producers of fluid end blocks.⁴ Between January 21, 2020, and January 28, 2020, Commerce received responses to Q&V questionnaires from a number of companies.⁵ On February 4, 2020, based on the responses to the Q&V questionnaires, we selected Lucchini Mamè Forge S.p.A. (Lucchini) and Metalcam S.p.A. (Metalcam) for individual examination as mandatory respondents in this investigation.⁶

On February 3, 2020, the U.S. International Trade Commission (ITC) preliminarily determined that there is a reasonable indication that an industry in the United States is materially injured by reason of imports of fluid end blocks from the Italy.⁷

On February 7, 2020, Commerce officials toured the fluid end blocks manufacturing facilities of the Ellwood Group and its production partners, North American Forgemasters and Medart Inc.⁸

In the *Initiation Notice*, Commerce notified parties of an opportunity to comment on the scope of the investigation, as well as on the appropriate physical characteristics of fluid end blocks to be reported in response to Commerce's AD questionnaire.⁹ On February 4, 2020, we received comments from BGH Edelstahl Siegen GmbH (BGH) and Ultra Engineers concerning the scope of the investigations.¹⁰ On February 11, 2020, the petitioners submitted rebuttal scope comments.¹¹

Between February 4, 2020, and February 11, 2020, we received comments and rebuttals thereto concerning product characteristics from the petitioners and the producers/exporters of fluid end blocks from various countries, *i.e.*, BGH, Cogne Acciai Speciali S.p.A. (Cogne Acciai) and Metalcam, Schmiedewerke Gröditz GmbH (SWG), Bharat Forge Limited (Bharat), and Ultra Engineers.¹²

³ *Id.* at 2397; *see also* Petitions, Volume I at 19-20

⁴ *See* Letter, "Quantity and Value Questionnaire for the Antidumping Duty Investigation of Forged Steel Fluid End Blocks from Italy," dated January 9, 2020 (Q&V Questionnaire); *see also* Memorandum, "Quantity & Value Questionnaires: Delivery Confirmation," dated January 23, 2020.

⁵ *See* Memorandum, "Antidumping Duty Investigation of Forged Steel Fluid End Blocks from Italy: Respondent Selection," dated February 4, 2020 (Respondent Selection Memorandum) at 2 and Attachment.

⁶ *See* Respondent Selection Memorandum.

⁷ *See Fluid End Blocks from China, Germany, India, and Italy: Determinations*, Investigation Nos. 701-TA-632-635 and 731-TA-1466-1468 (Preliminary), 85 FR 7330 (February 7, 2020).

⁸ *See* Commerce's Memorandum, dated February 11, 2020; *see also* Petitioners' Letter, "Forged Steel Fluid End Blocks from China, Germany, India, and Italy: Factual Information from Commerce Plant Visit," dated February 11, 2020.

⁹ *See Initiation Notice*, 85 FR at 2395; *see also* Commerce's Letter to all interested parties, dated January 27, 2020.

¹⁰ *See* BGH's Letter, "Forged Steel Fluid End Blocks from the Federal Republic of Germany, India, Italy and the People's Republic of China; Comments on the Scope of the Investigations," dated February 4, 2020, and Ultra Engineers' Letter, "Ultra Comments on Scope in the Antidumping and Countervailing Duty Investigations on Forged Steel Fluid End Blocks From the Federal Republic of Germany, India, Italy and the People's Republic of China," dated February 4, 2020.

¹¹ *See* Petitioners' Letter, "Forged Steel Fluid End Blocks from China, Germany, India, and Italy: Petitioner's Scope Rebuttal Comments," dated February 11, 2020.

¹² *See* Petitioners' Letter, "Antidumping Duty Investigations of Forged Steel Fluid End Blocks from Germany, India, and Italy: Petitioner's Comments on Product Characteristics," dated February 4, 2020; BGH's Letter,

On March 13, 2020, we received additional comments from Ultra Engineers, BGH, and Shanghai Qinghe Machinery Co., Ltd. (Qinghe) concerning the scope of the investigations.¹³ On March 18, 2020, the petitioners submitted additional rebuttal scope comments.¹⁴ We issued a scope comments decision memorandum on May 18, 2020.¹⁵

On February 6, 2020, we issued the AD questionnaire to Lucchini and Metalcam.¹⁶ During March and April 2020, we received questionnaire responses from Lucchini¹⁷ and Metalcam.¹⁸

On March 26, 2020, Commerce postponed the preliminary determination of this investigation by 50 days, to July 16, 2020, pursuant to section 733(c)(1)(A) of the Act and 19 CFR 351.205(e).¹⁹

“Forged Steel Fluid End Blocks from the Federal Republic of Germany, India, and Italy: Comments on Product Characteristics,” dated February 4, 2020; Cogne Acciai’s and Metalcam’s Letter, “Antidumping Duty Investigation of Forged Steel End Blocks from Italy: Comments on Product Characteristics,” dated February 6, 2020; SWG’s Letter, “Forged Steel Fluid End Blocks from Germany: Comments on Product Characteristics,” dated February 4, 2020; Bharat’s Letter, “Forged Steel Fluid End Blocks from Germany, Italy and India: Submission of Physical Characteristics Comments of Bharat Forge Limited,” dated February 4, 2020; Petitioners’ Letter, “Antidumping Investigations of Forged Steel Fluid End Blocks from Germany, India, and Italy: Petitioner’s Rebuttal Comments Concerning Product Characteristics,” dated February 11, 2020; Ultra Engineers’ Letter, “Ultra Rebuttal Comments on Product Characteristics in the Antidumping and Countervailing Duty Investigations on Forged Steel Fluid End Blocks From the Federal Republic of Germany, India, Italy and the People’s Republic of China,” dated February 11, 2020; BGH’s Letter, “Forged Steel Fluid End Blocks from the Federal Republic of Germany, India, and Italy; Rebuttal Comments on Product Characteristics,” dated February 11, 2020; Metalcam’s Letter, “Antidumping Duty Investigation of Forged Steel End Blocks from Italy: Rebuttal Comments on Product Characteristics,” dated February 11, 2020; and Bharat’s Letter, “Forged Steel Fluid End Blocks from Germany, Italy and India: Submission of Physical Characteristics Rebuttal Comments of Bharat Forge Limited,” dated February 11, 2020.

¹³ See Ultra Engineers’ Letter, “Ultra Additional Comments on Scope in the Antidumping and Countervailing Duty Investigations on Forged Steel Fluid End Blocks From the Federal Republic of Germany, India, Italy and the People’s Republic of China,” dated March 13, 2020, BGH’s Letter, “Forged Steel Fluid End Blocks from the Federal Republic of Germany, India, Italy and the People’s Republic of China; Additional Scope Comments,” dated March 13, 2020, and Qinghe’s Letter, “Qinghe Comments on Scope in the Antidumping and Countervailing Duty Investigations on Forged Steel Fluid End Blocks From the Federal Republic of Germany, India, Italy and the People’s Republic of China,” dated March 13, 2020.

¹⁴ See Petitioners’ Letter, “Forged Steel Fluid End Blocks from China, Germany, India, and Italy: Petitioner’s Supplemental Scope Rebuttal Comments,” dated March 18, 2020.

¹⁵ 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 Preliminary Determinations,” dated May 18, 2020.

¹⁶ See Commerce’s Letters, dated February 6, 2020.

¹⁷ See Lucchini’s Letters, “{Antidumping} Duty Investigation of Forged Steel Fluid End Blocks from Italy: Lucchini Mamé Forge S.p.A. Section A Questionnaire Response,” dated March 3, 2020 (Lucchini AQR), “{Antidumping} Duty Investigation of Forged Steel Fluid End Blocks from Italy: Lucchini Mamé Forge S.p.A. Section E Questionnaire Response,” dated March 13, 2020, “{Antidumping} Duty Investigation of Forged Steel Fluid End Blocks from Italy: Lucchini Mamé Forge S.p.A. Section C Questionnaire Response,” dated March 16, 2020, and “Antidumping Duty Investigation of Forged Steel Fluid End Blocks from Italy: Lucchini Mamé Forge S.p.A. Section D Questionnaire Response,” dated April 3, 2020.

¹⁸ See Metalcam’s Letters, “Antidumping Duty Investigation of Forged Steel Fluid End Blocks from Italy: Metalcam Section A Questionnaire Response,” dated March 5, 2020 (Metalcam AQR), “Antidumping Duty Investigation of Forged Steel Fluid End Blocks from Italy: Metalcam Section C Questionnaire Response,” dated April 2, 2020 (Metalcam CQR), and “Antidumping Duty Investigation of Forged Steel Fluid End Blocks from Italy: Metalcam Section D Questionnaire Response,” dated April 6, 2020.

¹⁹ See *Forged Steel Fluid End Blocks from the Federal Republic of Germany, India and Italy: Postponement of*

From April through June 2020, we sent supplemental questionnaires to Lucchini²⁰ and Metalcam,²¹ and received responses from Lucchini²² and Metalcam,²³ respectively. On March 23, 2020, we requested interested parties submit constructed value profit and selling expense comments and information.²⁴ On April 20, 2020, the petitioners, Lucchini, and Metalcam submitted comments and new factual information related to the determination of constructed value (CV) profit and selling expenses for consideration in the calculation of CV as the basis for normal value for Lucchini and Metalcam in this investigation.²⁵ On May 11, 2020, the petitioners, Lucchini, and Metalcam submitted rebuttal comments and factual information that rebuts, clarifies, or corrects information concerning the submitted CV profit and selling expenses.²⁶

Preliminary Determinations in the Less-Than-Fair-Value Investigations, 85 FR 17042 (March 26, 2020).

²⁰ See Commerce's Letters to Lucchini dated April 9, 2020, April 29, 2020, May 20, 2020, June 8, 2020, and June 18, 2020.

²¹ See Commerce's Letters to Metalcam dated April 23, 2020, April 28, 2020, June 17, 2020 (sales-related and cost-related supplemental questionnaires were each issued on the same date).

²² See Lucchini's Letters, "Antidumping Duty Investigation of Forged Steel Fluid End Blocks from Italy: Lucchini Mamé Forge S.p.A. Section C Questionnaire Response," dated April 29, 2020 (the document title incorrectly identifies the subject matter as a response to Section C of the original questionnaire, instead of a response to sections A and C of the supplemental questionnaire) (Lucchini SQRAC), "Antidumping Duty Investigation of Forged Steel Fluid End Blocks from Italy: Lucchini Mamé Forge S.p.A. Resubmission of Section D QR Exhibits – Full printouts of previously submitted Excel Files," dated May 22, 2020, "Antidumping Duty Investigation of Forged Steel Fluid End Blocks from Italy: Lucchini Mamé Forge S.p.A. Supplemental Section D Questionnaire Response," dated May 27, 2020, "Antidumping Duty Investigation of Forged Steel Fluid End Blocks from Italy: Lucchini Mamé Forge S.p.A. Second Supplemental A/C Questionnaire Response," dated June 4, 2020 (Lucchini SQR2AC), "Antidumping Duty Investigation of Forged Steel Fluid End Blocks from Italy: Lucchini Mamé Forge S.p.A. 3rd Supplemental Section C Questionnaire," dated June 11, 2020, "Antidumping Duty Investigation of Forged Steel Fluid End Blocks from Italy: Lucchini Mamé Forge S.p.A. 2nd Supplemental Section D Questionnaire," dated June 29, 2020, and "Antidumping Duty Investigation of Forged Steel Fluid End Blocks from Italy: Lucchini Mamé Forge S.p.A. 2nd Supplemental Section D Questionnaire – Questions 11, 12 and 15," dated June 30, 2020.

²³ See Metalcam's Letters, "Antidumping Duty Investigation of Forged Steel Fluid End Blocks from Italy: Metalcam Supplemental Section AC Questionnaire Response," dated May 14, 2020 (Metalcam SACQR), "Antidumping Duty Investigation of Forged Steel Fluid End Blocks from Italy: Metalcam's Supplemental Section D Questionnaire Response," dated May 22, 2020, "Antidumping Duty Investigation of Forged Steel Fluid End Blocks from Italy: Metalcam Supplemental Section AC Questionnaire Response," dated June 29, 2020 (Metalcam 2nd SACQR), and "Antidumping Duty Investigation of Forged Steel Fluid End Blocks from Italy: Metalcam Supplemental Section D Questionnaire Response," dated June 29, 2020.

²⁴ See Memorandum, "Antidumping Duty Investigations of Forged Steel Fluid End Blocks from Italy, India and Germany: Request for Constructed Value Profit and Selling Expense Comments and Information," dated March 23, 2020.

²⁵ See Petitioners' Letter, "Forged Steel Fluid End Blocks from Italy: Petitioner's Submission Concerning CV Profit and Selling Expenses," dated April 20, 2020, Lucchini's Letter, "Antidumping Duty Investigation of Forged Steel Fluid End Blocks from Italy: Lucchini Mamé Forge S.p.A. CV Profit Comment," dated April 20, 2020, and Metalcam's Letter, "Antidumping Duty Investigation of Forged Steel Fluid End Blocks from Italy: Metalcam's Factual Information and Comments on Constructed Value Profit and Selling Expenses," dated April 20, 2020.

²⁶ See Petitioners' Letter, "Forged Steel Fluid End Blocks from Italy: Petitioner's Rebuttal Submission Concerning CV Profit and Selling Expenses," dated May 11, 2020, Lucchini's Letter, "Antidumping Duty Investigation of Forged Steel Fluid End Blocks from Italy: Lucchini Mamé Forge S.p.A. Rebuttal to Petitioner's CV Profit Comments," dated May 11, 2020, and Metalcam's Letter, "Antidumping Duty Investigation of Forged Steel Fluid End Blocks from Italy: Metalcam's Rebuttal Comments on Petitioner's Constructed Value Profit and Selling Expenses Submission," dated May 11, 2020.

On June 12, 2020, and June 16, 2020, Metalcam and Lucchini requested, respectively, that, in the event of an affirmative preliminary determination in this investigation, Commerce postpone its final determination in accordance with section 735(a)(2)(A) of the Act and 19 CFR 351.210(b)(2)(ii) and 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 to a six-month period.²⁷

On June 24, 2020, the petitioners requested that, in the event of a negative preliminary determination in this investigation, Commerce postpone its final determination in accordance with section 735(a)(2)(B) of the Act and 19 CFR 351.210(b)(2)(i).²⁸

On July 2, 2020, the petitioners submitted comments with respect to Metalcam and Lucchini for consideration in the preliminary determination.²⁹ On July 9, 2020, Metalcam replied to the petitioners' comments.³⁰ On July 10, 2020, and July 13, 2020, Lucchini replied to the petitioners' comments.³¹

III. PERIOD OF INVESTIGATION

The period of investigation (POI) is October 1, 2018 through September 30, 2019. This period corresponds to the four most recent fiscal quarters prior to the month of the filing of the petition, December 2019.³²

IV. SCOPE OF INVESTIGATION

The products covered by this investigation are fluid end blocks from Italy, whether in finished or unfinished form, and which are typically used in the manufacture or service of hydraulic pumps. For a full description of the scope of the investigation, *see* the accompanying preliminary determination *Federal Register* notice at Appendix I.

²⁷ See Metalcam's Letter, "Antidumping Duty Investigation of Forged Steel Fluid End Blocks from Italy: Request to Postpone Final Determination," dated June 12, 2020, and Lucchini's Letter, "Antidumping Duty Investigation of Forged Steel Fluid End Blocks from Italy: Lucchini Mamé Forge S.p.A. Request to Postpone the Final Determination," dated June 16, 2020.

²⁸ See Petitioners' Letter, "Forged Steel Fluid End Blocks from Italy: Petitioner's Request to Postpone the Antidumping Investigation Final Determination," dated June 24, 2020.

²⁹ See Petitioners' Letters, "Forged Steel Fluid End Blocks from Italy: Petitioner's Pre-Preliminary Comments Concerning Metalcam," dated July 2, 2020, and "Forged Steel Fluid End Blocks from Italy: Pre-Preliminary Determination Comments Concerning Lucchini and CV Profit/Selling Expenses Ratios," dated July 2, 2020.

³⁰ See Metalcam's Letters, "Antidumping Duty Investigation of Forged Steel Fluid End Blocks from Italy: Response to Petitioner's July 2, 2020 Pre-Preliminary Comments" and "Antidumping Duty Investigation of Forged Steel Fluid End Blocks from Italy: Metalcam's Factual Information and Response to Petitioners' July 2, 2020 Comments on CV Profit and Selling Expenses," both dated July 9, 2020.

³¹ See Lucchini's Letters, "Antidumping Duty Investigation of Forged Steel Fluid End Blocks from Italy: Lucchini Mamé Forge S.p.A. Initial Rebuttals to Petitioner's Pre-Preliminary Comments," dated July 10, 2020, and "Antidumping Duty Investigation of Forged Steel Fluid End Blocks from Italy: Lucchini Mamé Forge S.p.A. Rebuttals to Petitioner's Pre-Preliminary Comments," dated July 13, 2020.

³² See 19 CFR 351.204(b)(1).

V. APPLICATION OF FACTS AVAILABLE AND USE OF ADVERSE INFERENCE

We issued the Q&V questionnaire to IMER International S.p.A., Galperti Group, Mimest S.p.A., and P. Technologies S.r.l., but received no responses.³³ For the reasons stated below, we determine that the application of facts otherwise available with an adverse inference is appropriate for this preliminary determination with respect to these companies.

A. Application of Facts Available

Sections 776(a)(1) and 776(a)(2)(A)-(D) of the Act provide that, if necessary information is not available on the record, or an interested party withholds information requested by Commerce; fails to provide such information by the deadlines for submission of the information, or in the form and manner requested, subject to subsections (c)(1) and (e) of section 782 of the Act; significantly impedes a proceeding, or provides such information but the information cannot be verified as provided in section 782(i) of the Act, Commerce shall use, subject to section 782(d) of the Act, facts otherwise available in reaching the applicable determination. Section 782(c)(1) of the Act states that Commerce shall consider the ability of an interested party to provide information upon a prompt notification by that party that it is unable to submit the information in the form and manner required, and that party also provides a full explanation for the difficulty and suggests an alternative form in which the party is able to provide the information. Section 782(e) of the Act states further that Commerce shall not decline to consider submitted information if all of the following requirements are met: (1) the information is submitted by the established deadline; (2) the information can be verified; (3) the information is not so incomplete that it cannot serve as a reliable basis for reaching the applicable determination; (4) the interested party has demonstrated that it acted to the best of its ability; and (5) the information can be used without undue difficulties.

As noted above, IMER International S.p.A., Galperti Group, Mimest S.p.A., and P. Technologies S.r.l., did not respond to our Q&V questionnaire, despite confirmation that this questionnaire was successfully delivered to them. By refusing to respond to the Q&V Questionnaire, these companies withheld information requested by Commerce, failed to provide information in a timely manner, and significantly impeded this proceeding by not submitting the requested Q&V information. Moreover, necessary Q&V information required to determine the largest producers/exporters of subject merchandise, pursuant to section 777A(c)(2)(B) of the Act, is not available on the record because of these non-responsive companies. Furthermore, because these companies did not submit a Q&V response, section 782(e) of the Act is not applicable. Accordingly, we preliminarily determine that the use of facts available is warranted in determining the dumping margin for these companies, pursuant to sections 776(a)(1) and (a)(2)(A)-(C) of the Act.

³³ See Memorandum, "Quantity & Value Questionnaires: Delivery Confirmation," dated January 23, 2020; *see also* Respondent Selection Memorandum.

B. Use of Adverse Inference

Section 776(b)(1) of the Act provides that, if Commerce finds that an interested party has failed to cooperate by not acting to the best of its ability to comply with a request for information, Commerce may use an inference adverse to the interests of that party in selecting the facts otherwise available.³⁴ In doing so, Commerce 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.³⁵ In addition, the Statement of Administrative Action accompanying the Uruguay Round Agreements Act explains that Commerce 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.”³⁶ Furthermore, affirmative evidence of bad faith on the part of a respondent is not required before Commerce may use an adverse inference.³⁷ It is Commerce’s practice to consider, in employing adverse inferences, the extent to which a party may benefit from its own lack of cooperation.³⁸

In the Q&V Questionnaire, we stated that, “{i}f you fail to respond or fail to provide the requested quantity and value information, please be aware that Commerce may find that you failed to cooperate by not acting to the best of your ability to comply with the request for information, and may use an inference that is adverse to your interests in selecting from the facts otherwise available, in accordance with section 776(b) of the Act.”³⁹ IMER International S.p.A., Galperti Group, Mimest S.p.A., and P. Technologies S.r.l., the companies in question that refused to respond to Commerce’s request for information in the Q&V Questionnaire, did not indicate that they were having difficulty providing the requested information, nor did they request to submit the information in an alternate form. Therefore, it is reasonable to conclude that these non-responsive companies were not cooperative. Accordingly, we preliminarily find that an adverse inference is warranted in selecting from among the facts otherwise available, with respect to IMER International S.p.A., Galperti Group, Mimest S.p.A., and P. Technologies S.r.l., in accordance with section 776(b) of the Act and 19 CFR 351.308(a).⁴⁰

³⁴ See 19 CFR 351.308(a); see also *Notice of Final Results of Antidumping Duty Administrative Review: Stainless Steel Bar from India*, 70 FR 54023, 54025-26 (September 13, 2005); and *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).

³⁵ See section 776(b)(1)(B) of the Act.

³⁶ See Statement of Administrative Action accompanying the Uruguay Round Agreements Act (SAA), H.R. Doc. 103-316, vol. 1 (1994) at 870 (SAA); see also *Certain Polyester Staple Fiber from Korea: Final Results of the 2005-2006 Antidumping Duty Administrative Review*, 72 FR 69663, 69664 (December 10, 2007).

³⁷ See, e.g., *Nippon Steel Corp. v. United States*, 337 F.3d 1373, 1382-83 (Fed. Cir. 2003); *Notice of Final Determination of Sales at Less Than Fair Value: Circular Seamless Stainless Steel Hollow Products from Japan*, 65 FR 42985 (July 12, 2000).

³⁸ See, e.g., *Steel Threaded Rod from Thailand: Preliminary Determination of Sales at Less Than Fair Value and Affirmative Preliminary Determination of Critical Circumstances*, 78 FR 79670 (December 31, 2013), and accompanying Preliminary Decision Memorandum at 4, unchanged in *Steel Threaded Rod from Thailand: Final Determination of Sales at Less Than Fair Value and Affirmative Final Determination of Critical Circumstances*, 79 FR 14476 (March 14, 2014).

³⁹ See Q&V Questionnaire.

⁴⁰ See, e.g., *Non-Oriented Electrical Steel from Germany, Japan, and Sweden: Preliminary Determinations of Sales at Less Than Fair Value, and Preliminary Affirmative Determinations of Critical Circumstances, in Part*, 79 FR

C. Preliminary Estimated Weighted-Average Dumping Margins Based on Adverse Facts Available

Section 776(b)(2) of the Act states that Commerce, when employing an adverse inference, may rely upon information derived from the petition, the final determination in the LTFV investigation, a previous administrative review, or any other information placed on the record.⁴¹ In selecting a rate based on adverse facts available (AFA), Commerce selects a rate that is sufficiently adverse to ensure that the uncooperative party does not obtain a more favorable result by failing to cooperate than if it had fully cooperated.⁴² Commerce's practice is to select, as an AFA rate, the higher of: (1) the highest dumping margin alleged in the petition; or (2) the highest calculated rate of any respondent in the investigation.⁴³

With respect to this investigation, the only dumping margin alleged in the Petitions concerning fluid end blocks from Italy is 87.04 percent.⁴⁴ Thus, consistent with our practice, we have considered the only dumping margin alleged in the Petitions concerning fluid end blocks from Italy as the AFA rate applicable to IMER International S.p.A., Galperti Group, Mimest S.p.A., and P. Technologies S.r.l., for this preliminary determination.⁴⁵

D. Corroboration of Secondary Information

When using facts otherwise available, section 776(c) of the Act provides that, where Commerce 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.⁴⁶ The Statement of Administrative Action (SAA) clarifies that "corroborate" means that Commerce will satisfy itself that the secondary information to be used has probative value.⁴⁷ To corroborate secondary information, Commerce

29423 (May 22, 2014), and accompanying Preliminary Decision Memorandum at 7-11, unchanged in *Non-Oriented Electrical Steel from Germany, Japan, the People's Republic of China, and Sweden: Final Affirmative Determination of Sales at Less Than Fair Value and Final Affirmative Determinations of Critical Circumstances, in Part*, 79 FR 61609 (October 14, 2014). See also *Notice of Final Determination of Sales at Less Than Fair Value: Circular Seamless Stainless Steel Hollow Products from Japan*, 65 FR at 42985, 42986 (July 12, 2000) (where Commerce applied total adverse facts available when the respondent failed to respond to the antidumping questionnaire).

⁴¹ See section 776(b)(2) of the Act and 19 CFR 351.308(c).

⁴² See SAA at 870.

⁴³ See *Welded Stainless Pressure Pipe from Thailand: Final Determination of Sales at Less Than Fair Value*, 79 FR 31093 (May 30, 2014), and accompanying Issues and Decision Memorandum.

⁴⁴ See Petitions, Volume I at 55. See also *Initiation Notice* at 2397; AD Investigation Initiation Checklist: Forged Fluid End Blocks from Italy (January 8, 2020) (Initiation Checklist).

⁴⁵ See *Certain Polyethylene Terephthalate Resin from India: Final Determination of Sales at Less Than Fair Value and Final Affirmative Determination of Critical Circumstances*, 81 FR 13327 (March 14, 2016) and accompanying Issues and Decision Memorandum at Comment 14.

⁴⁶ See SAA at 870.

⁴⁷ *Id.*; see also 19 CFR 351.308(d).

will, to the extent practicable, examine the reliability and relevance of the information upon which it is basing the AFA dumping margin, although Commerce is not required to estimate what the dumping margin of an uncooperative interested party would have been if the interested party failing to cooperate had cooperated or to demonstrate that the AFA dumping margin used for the uncooperative party reflects an “alleged commercial reality” of the party.⁴⁸ Finally, under section 776(d) of the Act, Commerce may use any dumping margin from any segment of the proceeding under the applicable antidumping order when applying an adverse inference, including the highest of such margins. If Commerce is unable to corroborate the highest petition margin using individual-transaction specific margins, Commerce may use the component approach to corroboration.⁴⁹

In order to determine the probative value of the dumping margin of 87.04 percent alleged in the Petitions concerning fluid end blocks from Italy, we examined the information on the record. When we compared the dumping margin of 87.04 percent alleged in the Petitions concerning fluid end blocks from Italy to the comparison-specific dumping margins we preliminarily determined for Lucchini in this investigation (the only estimated weighted average dumping margin above *de minimis*), we found the rate of 87.04 percent to be significantly higher than Lucchini’s highest calculated comparison-specific dumping margin.⁵⁰ Because we were unable to corroborate the rate of 87.04 percent in Petitions concerning fluid end blocks from Italy with individual comparison-specific margins from Lucchini, we next applied a component approach and compared the normal value and net U.S. price underlying this rate to the range of NVs and net U.S. prices that we preliminarily calculated for Lucchini in this investigation. Again, we found that we were not able to corroborate the margin of 87.04 percent alleged in the Petitions concerning fluid end blocks from Italy using this component approach. Specifically, we found that normal values and net U.S. prices calculated for Lucchini were not within the range of the normal value and net U.S. price underlying the margin of 87.04 percent alleged in the Petitions concerning fluid end blocks from Italy.⁵¹ Accordingly, with respect to IMER International S.p.A., Galperti Group, Mimest S.p.A., and P. Technologies S.r.l, we have used, as AFA, the highest comparison-specific margin of 50.93 percent that we preliminarily determined for Lucchini.⁵² Because this rate is not secondary information, but rather is based on information

⁴⁸ See section 776(d)(3) of the Act; see also, 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).

⁴⁹ See, e.g., *Polyester Textured Yarn from India: Final Determination of Sales at Less Than Fair Value*, 84 FR 63843 (November 19, 2019), and accompanying IDM at Comment 7.

⁵⁰ See Memorandum, “Forged Steel Fluid End Blocks from Italy – Preliminary Determination Analysis Memorandum for Lucchini Mamè Forge S.p.A.,” dated July 16, 2020 (Lucchini’s Preliminary Analysis Memorandum) at pages 88-90 of the attached margin-calculation program output.

⁵¹ See Petitioners’ Letter, “Fluid End Blocks from China, Germany, India and Italy: Amendment of Petitions and Response to Commerce’s Supplemental Questions,” dated December 30, 2019, at 24 (for net U.S. price and constructed value supporting a calculation of 87.04 percent rate in the Petitions) and SAS datasets “lucchini_invest_prelim_avgmixed” and “lucchini_invest_prelim_trnmixed” from Lucchini’s margin calculation program (for U.S. net prices and normal values for all comparisons).

⁵² See Lucchini’s Preliminary Analysis Memorandum at page 90 of the attached margin-calculation program output.

obtained in the course of this investigation, Commerce need not corroborate this rate pursuant to section 776(c) of the Act.

VI. DISCUSSION OF THE METHODOLOGY

A. Comparisons to Normal Value

To determine whether sales of fluid end blocks from Italy to the United States were made at LTFV, we compared the EPs and CEPs to the normal value (NV), as described in the “U.S. Price” and “Normal Value” sections of this memorandum, below. In accordance with sections 777A(d)(1)(A)(i) and 773(a)(4) of the Act, we compared the weighted-average EP to constructed value (CV) for Metalcam and the weighted-average EP and CEP to CV for Lucchini.

1. Determination of Comparison Method

Pursuant to 19 CFR 351.414(c)(1), Commerce calculates weighted-average dumping margins by comparing weighted-average normal values to weighted-average EPs (or constructed export prices (CEP)) (*i.e.*, the average-to-average method) unless the Secretary determines that another method is appropriate in a particular situation. In less-than-fair-value investigations, Commerce examines whether to compare weighted-average normal values with the EPs (or CEPs) of individual sales (*i.e.*, the average-to-transaction method) as an alternative comparison method using an analysis consistent with section 777A(d)(1)(B) of the Act.

In numerous investigations, Commerce has applied a “differential pricing” analysis for determining whether application of the average-to-transaction method is appropriate in a particular situation pursuant to 19 CFR 351.414(c)(1) and section 777A(d)(1)(B) of the Act.⁵³ Commerce finds that the differential pricing analysis used in recent investigations may be instructive for purposes of examining whether to apply an alternative comparison method in this investigation. Commerce will continue to develop its approach in this area based on comments received in this and other proceedings, and on Commerce’s additional experience with addressing the potential masking of dumping that can occur when Commerce uses the average-to-average method in calculating a respondent’s weighted-average dumping margin.

The differential pricing analysis used in this preliminary determination examines whether there exists a pattern of EPs (or CEPs) for comparable merchandise that differ significantly among purchasers, regions, or time periods. The analysis evaluates all export sales by purchasers, regions, and time periods to determine whether a pattern of prices that differ significantly exists. If such a pattern is found, then the differential pricing analysis evaluates whether such differences can be taken into account when using the average-to-average method to calculate the weighted-average dumping margin. The analysis incorporates default group definitions for purchasers, regions, time periods, and comparable merchandise. Purchasers are based on the

⁵³ See, e.g., *Xanthan Gum From the People's Republic of China: Final Determination of Sales at Less Than Fair*, 78 FR 33351 (June 4, 2013); *Steel Concrete Reinforcing Bar From Mexico: Final Determination of Sales at Less Than Fair Value and Final Affirmative Determination of Critical Circumstances*, 79 FR 54967 (September 15, 2014); or *Welded Line Pipe From the Republic of Turkey: Final Determination of Sales at Less Than Fair Value*, 80 FR 61362 (October 13, 2015).

reported consolidated customer codes. Regions are defined using the reported destination code (*i.e.*, zip code) and are grouped into regions based upon standard definitions published by the U.S. Census Bureau. Time periods are defined by the quarter within the period of investigation based upon the reported date of sale. For purposes of analyzing sales transactions by purchaser, region and time period, comparable merchandise is defined using the product control number and all characteristics of the U.S. sales, other than purchaser, region and time period, that Commerce uses in making comparisons between EP (or CEP) and normal value 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* coefficient is a generally recognized statistical measure of the extent of the difference between the mean (*i.e.*, weighted-average price) of a test group and the mean (*i.e.*, weighted-average price) of a comparison group. First, for comparable merchandise, the Cohen’s *d* coefficient is calculated when the test and comparison groups of data for a particular purchaser, region or time period 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. Then, the Cohen’s *d* coefficient is used to evaluate the extent to which the prices to the particular purchaser, region or time period differ significantly from the prices of all other sales of comparable merchandise. The extent of these differences can be quantified by one of three fixed thresholds defined by the Cohen’s *d* test: small, medium or large (0.2, 0.5 and 0.8, respectively). Of these thresholds, the large threshold provides the strongest indication that there is a significant difference between the mean of the test and comparison groups, while the small threshold provides the weakest indication that such a difference exists. For this analysis, the difference is considered significant, and the sales in the test group are found to pass the Cohen’s *d* test, if the calculated Cohen’s *d* coefficient is equal to or exceeds the large (*i.e.*, 0.8) threshold.

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 average-to-transaction method to all sales as an alternative to the average-to-average 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 average-to-transaction method to those sales identified as passing the Cohen’s *d* test as an alternative to the average-to-average method, and application of the average-to-average 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 average-to-average 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, Commerce examines whether using only the average-to-average method can appropriately account for such differences. In considering this question, Commerce tests whether using an alternative comparison 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 average-to-average method only. If the difference between the two calculations is meaningful, then this demonstrates that the average-to-average method cannot account for differences such as those observed in this analysis, and, therefore, an alternative comparison method would be appropriate. A difference in the weighted-average dumping margins is considered meaningful if: (1) there is a 25 percent relative change in the weighted-average dumping margins between the average-to-average method and the appropriate alternative method where both rates are above the *de minimis* threshold, or (2) the resulting weighted-average dumping margins between the average-to-average method and the appropriate alternative method move across the *de minimis* threshold.

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

2. Results of the Differential Pricing Analysis

For Metalcam, based on the results of the differential pricing analysis, Commerce preliminarily finds that 66.80 percent of the value of U.S. sales pass the Cohen's *d* test,⁵⁴ and confirms the existence of a pattern of prices that differ significantly among purchasers, regions, or time periods. Further, Commerce preliminarily determines that there is no meaningful difference between the weighted-average dumping margin calculated using the average-to-average method and the weighted-average dumping margin calculated using an alternative comparison method based on applying the average-to-transaction method to all U.S. sales. Thus, for this preliminary determination, Commerce is applying the average-to-average method for all U.S. sales to calculate the weighted-average dumping margin for Metalcam.

For Lucchini, based on the results of the differential pricing analysis, Commerce preliminarily finds that 56.35 percent of the value of U.S. sales pass the Cohen's *d* test,⁵⁵ and confirms the existence of a pattern of prices that differ significantly among purchasers, regions, or time periods. Further, Commerce preliminarily determines that the average-to-average method cannot account for such differences because the weighted-average dumping margin crosses the *de minimis* threshold when calculated using the average-to-average method and when calculated using an alternative comparison method based on applying the average-to-transaction method to those U.S. sales which passed the Cohen's *d* test and the average-to-average method to those sales which did not pass the Cohen's *d* test. Thus, for this preliminary determination, Commerce is applying the average-to-transaction method to those U.S. sales which passed the Cohen's *d* test and the average-to-average method to those sales which did not pass the Cohen's *d* test to calculate the weighted-average dumping margin for Lucchini.

⁵⁴ See Memorandum, "Forged Steel Fluid End Blocks from Italy – Preliminary Determination Analysis Memorandum for Metalcam S.p.A.," dated July 16, 2020, at 2.

⁵⁵ See Lucchini's Preliminary Analysis Memorandum at 2.

B. Product Comparisons

As stated above, Commerce gave parties an opportunity to comment on the appropriate hierarchy of physical characteristics used to define each product, including for model matching purposes, within a certain deadline.⁵⁶ We considered the comments that were submitted and established the appropriate product characteristics to use as a basis for defining the product control numbers of fluid end blocks in this investigation. Commerce identified eighteen criteria for physical characteristics of the subject merchandise: (1) chromium content, (2) nickel content, (3) copper content, (4) molybdenum content, (5) minimum specified tensile strength, (6) size, (7) length, (8) machining, (9) bores, (10) normalized heat treatment, (11) austenitized heat treatment, (12) annealed heat treatment, (13) solution annealed heat treatment, (14) tempered heat treatment, (15) age hardened heat treatment, (16) quenched heat treatment, (17) coating, and (18) parts.⁵⁷ Metalcam and Lucchini were instructed to use these product characteristics in their responses to the AD questionnaires issued in this investigation.⁵⁸ Because Metalcam and Lucchini had no viable home market or third country market during the POI, we based normal value on CV, as discussed in the “Calculation of Normal Value Based on Constructed Value” section of this notice, below.

C. Date of Sale

Although Commerce normally uses the date of invoice, as recorded in the producer’s or exporter’s records kept in the ordinary course of business, as the date of sale, Commerce’s regulations provide that Commerce may use a date other than the date of invoice if the Secretary is satisfied that a different date better reflects the date on which the exporter or producer establishes the material terms of sale (*e.g.*, price and quantity).⁵⁹

Metalcam reported that all of its U.S. sales were produced to order pursuant to sales contracts (*i.e.*, purchase orders) between Metalcam and its U.S. customers.⁶⁰ Metalcam asserted that the material terms of sale were final at the time of the purchase order and, accordingly, it contended that Commerce should rely on the date of purchase order as the date of sale for U.S. sales of subject merchandise it made during the POR.⁶¹ We closely examined the information on the record and preliminarily find that the material terms of Metalcam’s U.S. sales were subject to change after the date of the original purchase order.⁶² Specifically, the record shows that the per-

⁵⁶ See *Initiation Notice*, 85 FR at 2395; see also Commerce’s letter to all interested parties, dated January 27, 2020.

⁵⁷ See Commerce’s Letter, “Antidumping Duty Investigations of Forged Steel Fluid End Blocks from Germany, Italy, and India - Product Characteristics,” dated February 13, 2020.

⁵⁸ *Id.*

⁵⁹ See 19 CFR 351.401(i); see also *Allied Tube and Conduit Corp. v. United States*, 132 F. Supp. 2d 1087, 1090-92 (CIT 2001); and *Yieh Phui Enterprise Co. v. United States*, 791 F. Supp. 2d 1319, 1324 (CIT 2011) (affirming that Commerce may use invoice date unless a party demonstrates that the material terms of the sale were established on another date).

⁶⁰ See Metalcam AQR at 14-16.

⁶¹ See Metalcam AQR at 14-16 and Exhibits A-8 and A-9, and Metalcam SACQR at 8.

⁶² Notably, Metalcam did not rely on the date of the revised/updated purchaser order as the date on which the terms of sale are presumably finalized. See Metalcam SACQR at Exhibit SAC-1 (for a sales database constructed based on the date of original purchase order, which contains no U.S. sales made pursuant to the revised/updated purchase order provided in Exhibit SAC-11).

unit price for certain sales of fluid end blocks invoiced during the POI changed after the date of the original purchase order, as a result of customer's requested change to the type of finished form of the ordered product and, consequently, the product's price.⁶³ Therefore, for purposes of this preliminary determination, we have used the date of invoice as the date of sale for Metalcam's reported U.S. sales of fluid end blocks made during the POI.⁶⁴

Lucchini reported that all of its U.S. sales were produced to order pursuant to sales contracts (*i.e.*, purchase orders) between Lucchini and its U.S. customers.⁶⁵ Lucchini asserted, however, that the material terms of sale were not final at the time of the purchase order and, accordingly, it contended that Commerce should rely on the date of invoice as the date of sale for U.S. sales of subject merchandise it made during the POR.⁶⁶ We closely examined the information on the record and preliminarily find that the material terms of Lucchini's U.S. sales were subject to change after the date of the original purchase order.⁶⁷ Specifically, the record shows that the quantity and value for certain sales of fluid end blocks invoiced during the POI changed after the date of the original purchase order, as a result of customer's requested change to the quantity and value of the ordered product.⁶⁸ Therefore, for purposes of this preliminary determination, we have used the date of invoice as the date of sale for Lucchini's reported U.S. sales of fluid end blocks made during the POI.

D. Export Price and Constructed Export Price

Section 772(a) of the Act defines EP as "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 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 subsection (c)." Section 772(b) of the Act defines CEP as "the price at which the subject merchandise is first sold (or agreed to be sold) in the United States to an unaffiliated purchaser in the United States before or after the date of importation by or for the account of the producer or exporter of such merchandise or by a seller

⁶³ Metalcam SACQR at 8 and Exhibit SAC-11.

⁶⁴ Our decision to rely on Metalcam's sales databases of U.S. sales with an invoice date during the POI is also informed by the superiority of such data (in terms of accuracy of information) over the sales databases of U.S. sales with a purchase order date during the POI, because the progressive versions of the latter submitted throughout this investigation contained a number of transactions which haven't yet been invoiced, and for which certain expenses have not yet been incurred. *See* Metalcam CQR at Exhibit C-2, Metalcam SACQR at Exhibit SAC-1, and Metalcam 2nd SACQR at Exhibit SAC2-17. Because the record shows that a purchase order can be cancelled, and/or subsequently re-issued for an upgraded product, however infrequently that may occur, it is unknown whether un-invoiced transactions will materialize at all or materialize at the contracted quantity or price. Further, Metalcam's sales databases of U.S. sales with a purchase order date during the POI are missing warehousing expenses and warehousing revenues for a number of transactions for which Metalcam reported such items in its sales databases of U.S. sales with an invoice date during the POI (compare Metalcam 2nd SACQR at Exhibit SAC2-17 and Exhibit SAC2-18).

⁶⁵ *See* Lucchini SQRAC at 16-21; Exhibit SAC-5, parts 1-6; *see also* Lucchini SQR2AC at 2-4, Exhibit S2AC-1, parts 1-3.

⁶⁶ *See* Lucchini AQR at 19, and Lucchini SQRAC at 16-21, Exhibit SAC-5, parts 1-6, and Lucchini SQR2AC at 2-4, Exhibit S2AC-1, parts 1-3.

⁶⁷ *See* Lucchini SQRAC at 16-21, Exhibit SAC-5, parts 1-6; *see also* Lucchini SQR2AC 2-4, Exhibit S2AC-1, parts 1-3.

⁶⁸ *See* Lucchini SQRAC at 16-21, Exhibit SAC-5, parts 1-6; *see also* Lucchini SQR2AC 2-4, Exhibit S2AC-1, parts 1-3.

affiliated with the producer or exporter, to a purchaser not affiliated with the producer or exporter, as adjusted under subsections (c) and (d).

We calculated EP for purposes of this preliminary determination, in accordance with subsections 772(a) and (c) of the Act, where the subject merchandise was first sold in the country of manufacture (*i.e.*, Italy) to an unaffiliated purchaser prior to importation and CEP was not otherwise warranted based on the facts of record. For both Metalcam and Lucchini, we calculated EP based on packed price to an unaffiliated purchaser in the United States, taking into account the reported terms of sale. We made deductions for movement expenses, in accordance with section 772(c)(2)(A) of the Act.

In accordance with section 772(b) of the Act, we used CEP for certain of Lucchini's U.S. sales, because the subject merchandise was sold in the United States by a U.S. seller affiliated with the producer. We calculated CEP based on packed price to an unaffiliated purchaser in the United States, accounting for the reported terms of sale. We made deductions for any movement expenses in accordance with section 772(c)(2)(A) of the Act. In accordance with section 772(d)(1) of the Act, we made deductions for selling expenses associated with economic activities occurring in the United States, which includes direct selling expenses and indirect selling expenses. Finally, we made an adjustment for profit allocated to these expenses in accordance with section 772(d)(3) of the Act.

E. Normal Value

1. Comparison Market Viability

Section 773(a)(1) of the Act states that the normal value of subject merchandise shall be the price at which the foreign like product is first sold (or offered for sale) for consumption in the exporting country or, in the absence of such sales, in a country other than the exporting country or the United States. Both Metalcam and Lucchini reported that neither company had any sales of fluid end blocks in Italy or third-country markets during the POI.⁶⁹ Consequently we have preliminarily determined that the normal value of the subject merchandise cannot be determined for either company pursuant to section 773(a)(1)(B) of the Act (*i.e.*, there is no viable comparison market as required under sections 773(a)(1)(B)(ii)(II) or 773(a)(1)(C)(ii) of the Act and 19 CFR 351.404(b)(2)). As such, in accordance with section 773(a)(4) of the Act, we have preliminarily based NV on CV for Metalcam and Lucchini.

2. Level of Trade

Because Metalcam and Lucchini had no viable home or third-country market during the POI, we based NV on CV for each company. When NV is based on CV, the NV LOT is that of the sales from which we derive selling expenses and profit. In accordance with 19 CFR 351.412(d), where possible, Commerce will make its LOT determination under paragraph (d)(1) of that section on the basis of sales of the foreign like product by the producer or exporter. Because it is not possible to make LOT determination for the respondents in this investigation on the basis of sales of the foreign like product in the home or third-country market, Commerce may use sales

⁶⁹ See Metalcam AQR at 3 and Exhibit A-1 and Lucchini AQR at 2-4 and Exhibit A-1.

of different or broader product lines, sales by other companies, or any other reasonable basis. As discussed further below in section titled “Calculation of Normal Value Based on Constructed Value”, we based the CV profit for Lucchini and Metalcam on sales of open die forged products (including fluid end blocks) made by OFAR S.p.A. and Cogne Acciai Speciali S.p.a., during 2018. There is no information on the record pertaining to these companies’ selling activities with respect to its overall sales of open die forged products that allows us to determine the LOT of the sales from which we derived profit for CV, or establish whether any difference in LOT exists or affects price comparability. Therefore, because there is no basis to evaluate whether the price comparability has been affected due to difference in the level of trade, we did not grant a level of trade adjustment to normal value that we established for Lucchini and Metalcam in this investigation.

3. Calculation of Normal Value Based on Constructed Value

In accordance with section 773(a)(4) of the Act, we based Metalcam’s and Lucchini’s NV on CV because neither company had a viable home market or third-country markets.

In accordance with section 773(e) of the Act, we calculated CV based on the sum of Metalcam’s and Lucchini’s respective cost of materials and fabrication employed in producing the subject merchandise, plus amounts for respective G&A and financial expenses, CV profit and selling expenses, and U.S. packing costs. We calculated the respective cost of materials and fabrication, G&A, and financial expenses, based on information submitted by Metalcam and Lucchini in its original and supplemental questionnaire responses, except in instances where we determined that the information was not valued correctly. Specifically, in accordance with section 773(f)(3) of the Act, we adjusted Lucchini’s reported transfer prices for ingots that it purchased from affiliated parties to reflect market prices.⁷⁰ Finally, we examined the cost data submitted by both Metalcam and Lucchini and preliminarily determined that our quarterly cost methodology is not warranted. Therefore, we have applied our standard methodology of using annual costs based on the reported data.

Because Metalcam and Lucchini do not have a comparison market, Commerce cannot determine selling expenses and profit under section 773(e)(2)(A) of the Act, which requires sales by the respondents in question of foreign like product, in the ordinary course of trade, for consumption in a foreign country. Therefore, we have relied on section 773(e)(2)(B) of the Act to determine Metalcam’s and Lucchini’s selling expenses and profit.

In situations where CV selling expenses and profit cannot be calculated under the “preferred method,” section 773(e)(2)(B) of the Act sets forth three alternatives. Those alternatives are: (i) the use of the actual amounts incurred and realized by the specific exporter or producer in connection with the production and sale of merchandise that is in the same general category of products as the subject merchandise; (ii) the use of the weighted-average of the actual amounts incurred and realized by exporters or producers (other than the respondent) that are subject to the investigation or review; or (iii) based on any other reasonable method, except that the amount for

⁷⁰ See Memorandum, “Cost of Production and Constructed Value Calculation Adjustments for the Preliminary Determination – Lucchini Mame Forge S.p.A.,” dated July 16, 2020.

profit may not exceed the amount realized by exporters or producers (other than the respondents) in connection with the sale, for consumption in the foreign country, of merchandise that is in the same general category of products as the subject merchandise (*i.e.*, the “profit cap”). The statute does not establish a hierarchy for selecting among these alternative methodologies.⁷¹

The first statutory alternative provided in section 773(e)(2)(B) is not possible because we do not have information on the record to permit a calculation of these amounts specific to products in the “same general category” as the subject merchandise and exclusive of the subject merchandise, sold by either Lucchini or Metalcam. The second alternative for determining CV profit is not available to us in this case because there are no other exporters or producers subject to individual examination in this investigation.

Therefore, for this preliminary determination, we determined CV profit and selling expenses in accordance with section 773(e)(2)(B)(iii) of the Act (*i.e.*, based on “any other reasonable method”). When Commerce calculates CV profit and selling expenses ratio under alternative (iii), it considers the following factors:

1. The similarity between potential surrogate company’s business operations and products and the respondent’s business operations and products;
2. The extent to which a potential surrogate company has sales in the United States and the home market;
3. The contemporaneity of the surrogate data to the period of investigation; and
4. The similarity of the customer base between a potential surrogate company and the respondent.

We have considered the financial statements of Italian and Indian producers of comparable merchandise submitted by interested parties in this investigation, along with the financial statements of an Italian producer of identical or comparable merchandise submitted in the petition for purpose of the initiation of this investigation. We calculated CV profit in accordance with section 773(e)(2)(B)(iii) of the Act (*i.e.*, based on “any other reasonable method”), using the publicly available financial statements for the fiscal year ending December 31, 2018, of two Italian producers of open die forged products (including fluid end blocks), Cogne Acciai Speciali S.p.A. (Cogne Acciai)⁷² and OFAR S.p.A. (OFAR).⁷³ This information meets our criteria in that it is contemporaneous, represents Italian producers of comparable merchandise (including fluid end blocks⁷⁴ and, thus, reflective of business operations and products similar to the respondents

⁷¹ See SAA at 840.

⁷² See *Initiation Notice* at 2397 (citing Italy AD Initiation Checklist); see also *Petitions*, Volume I at 55 and Volume II at Exhibit GEN-48.

⁷³ See Metalcam’s Letter, “Antidumping Duty Investigation of Forged Steel Fluid End Blocks from Italy: Metalcam’s Factual Information and Comments on Constructed Value Profit and Selling Expenses, dated April 20, 2020, at Exhibit 1 and 7. We recalculated the profit rate for OFAR in Memorandum, “Cost of Production and Constructed Value Calculation Adjustments for the Preliminary Determination – Metalcam S.p.A.,” dated July 16, 2020.

⁷⁴ The information in *Petitions* claims that Cogne Acciai is an Italian producer of fluid end blocks (see *Petitions*, Volume I at 54); the information in OFAR’s Q&V response establishes that it is an Italian producer of fluid end blocks, because OFAR reports a limited quantity of sales of fluid end blocks to the United States during the POI (see

under investigation), and it appears to predominantly reflect sales (and thus profits) in the Italian market. Further, we are unable to calculate the amount realized by exporters or producers in connection with the sale, for consumption in the foreign country, of the merchandise in the same general category of products as the subject merchandise (*i.e.*, the “profit cap”), in accordance with section 773(e)(2)(B)(iii) of the Act, because the record does not contain any information for making such a calculation. However, the SAA makes clear that Commerce might have to apply alternative (iii) on the basis of facts available.⁷⁵ We find that Cogne Acciai and OFAR’s respective profit information serves as a reasonable profit cap for this preliminary determination.

Lastly, because the financial statements of Italian surrogate producers, including those of Cogne Acciai and OFAR, do not segregate selling expenses from general operating costs, we relied on Metalcam’s and Lucchini’s indirect selling expenses incurred in the export market, as reported in the companies’ respective section C questionnaire responses, as a proxy for CV selling expenses. We preliminarily determine that these data fairly represent selling expenses of the open-die forged products industry in general and, thus, satisfy the “any other reasonable method” criteria under section 773(e)(2)(B)(iii) of the Act, as best information available on the record.

VII. CURRENCY CONVERSION

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

VIII. RECOMMENDATION

We recommend applying the above methodology for this preliminary determination.

☒

Agree

☐

Disagree

X 

Signed by: JEFFREY KESSLER

Jeffrey I. Kessler
Assistant Secretary
for Enforcement and Compliance

OFAR’s Letter, “Antidumping Duty Investigation of Forged Steel Fluid End Blocks from Italy: Quantity and Value Questionnaire Response of Ofar S.p.A.,” dated January 21, 2020).

⁷⁵ See SAA at 840.