

**DEPARTMENT OF COMMERCE****International Trade Administration****[A-570-918]****Steel Wire Garment Hangers from the People's Republic of China: Initiation of Antidumping Duty Investigation****AGENCY:** Import Administration, International Trade Administration, Department of Commerce.**EFFECTIVE DATE:** September 17, 2007.**FOR FURTHER INFORMATION CONTACT:** Julia Hancock or Irene Gorelik, AD/CVD Operations, Office 9, Import Administration, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230; telephone: (202) 482-1394 or (202) 482-6905, respectively.**SUPPLEMENTARY INFORMATION:****The Petition**

On July 31, 2007, the Department of Commerce ("Department") received a petition concerning imports of steel wire garment hangers from the People's Republic of China ("PRC") ("Petition") filed in proper form by M&B Metal Products Company, Inc. ("Petitioner"). In accordance with section 732(b) of the Tariff Act of 1930, as amended ("Act"), Petitioner alleges that imports of steel wire garment hangers from the PRC are being, or are likely to be, sold in the United States at less than fair value, within the meaning of section 731 of the Act, and that such imports are materially injuring, or threatening material injury to, an industry in the United States.

On August 3, 2007, the Department issued a request for additional information and clarification of certain areas of the Petition. Based on the Department's request, Petitioner filed its response on August 8, 2007. On August 16, 2007, the Department issued polling questionnaires to the domestic industry. In addition, the Department extended the initiation deadline because, pursuant to section 732(c)(1)(B) of the Act, the Department determined that it needed to poll the domestic industry to determine support for the Petition. *See Steel Wire Garment Hangers from the People's Republic of China: Extension of the Deadline for Determining the Adequacy of the Antidumping Duty Petition*, 72 FR 46606 (August 21, 2007) ("*Extension of Initiation Deadline*").<sup>1</sup>

<sup>1</sup> Twenty days from the original deadline is September 9, 2007. However, Department practice dictates that where a deadline falls on a weekend, the appropriate deadline is the next business day. *See Notice of Clarification: Application of "Next*

On August 17, 2007, the Department issued a second request for additional information and clarification of certain areas of the Petition, to which Petitioner responded on August 27, 2007.

The Department finds that Petitioner filed this Petition on behalf of the domestic industry because Petitioner is an interested party as defined in section 771(9)(C) and (D) of the Act, and has demonstrated sufficient industry support with respect to the antidumping duty investigation that Petitioner is requesting that the Department initiate (*see* "Determination of Industry Support for the Petition" section below). The period of investigation ("POI") is January 1, 2007, through June 30, 2007. *See* 19 CFR 351.204(b).

**Scope of Investigation**

The merchandise that is subject to this investigation is steel wire garment hangers, fabricated from carbon steel wire, whether or not galvanized or painted, whether or not coated with latex or epoxy or similar gripping materials, and/or whether or not fashioned with paper covers or capes (with or without printing) and/or nonslip features such as saddles or tubes. These products may also be referred to by a commercial designation, such as shirt, suit, strut, caped, or latex (industrial) hangers. Specifically excluded from the scope of this investigation are wooden, plastic, and other garment hangers that are classified under separate subheadings of the Harmonized Tariff Schedule of the United States ("HTSUS"). The products subject to this investigation are currently classified under HTSUS subheading 7326.20.0020. Although the HTSUS subheading is provided for convenience and customs purposes, the written description of the merchandise is dispositive.

**Comments on the Scope of Investigation**

During our review of the Petition, we discussed the scope with Petitioner to ensure that it is an accurate reflection of the products for which the domestic industry is seeking relief. Moreover, as discussed in the preamble to the regulations, we are setting aside a period for interested parties to raise issues regarding product coverage. *See Antidumping Duties; Countervailing Duties; Final Rule*, 62 FR 27296, 27323 (May 19, 1997). The Department encourages all interested parties to submit such comments within 20 calendar days of signature of this notice.

*Business Day" Rule for Administrative Determination Deadlines Pursuant to the Act*, 70 FR 24533 (May 10, 2005).

Comments should be addressed to Import Administration's Central Records Unit ("CRU"), Room 1870, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230 - Attention: Julia Hancock and Irene Gorelik, Room 2814B. The period of scope consultations is intended to provide the Department with ample opportunity to consider all comments and to consult with parties prior to the issuance of the preliminary determination.

#### Comments on Product Characteristics for Antidumping Duty Questionnaire

We are requesting comments from interested parties regarding the appropriate physical characteristics of steel wire garment hangers to be reported in response to the Department's antidumping questionnaire. For example, we are considering whether physical characteristics such as steel grade, types of steel wire and/or steel wire rod, steel wire gauge, hanger length, whether or not painted, type of latex, fashioned with a strut or saddle, fashioned with paper covers or capes, and the bottom bar length are relevant. This information will be used to identify the key physical characteristics of the subject merchandise in order for respondents to report more accurately the relevant factors of production, in accordance with the Department's non-market economy ("NME") methodology, as described in the "Normal Value" section below.

Interested parties may provide any information or comments that they believe are relevant to the development of an accurate listing of physical characteristics. Specifically, they may provide comments as to which characteristics are appropriate to use as the product reporting criteria. We note that it is not always appropriate to use all product characteristics as product reporting criteria.

In order to consider the suggestions of interested parties in developing and issuing the antidumping duty questionnaire, we must receive non-proprietary comments at the above-referenced address by October 1, 2007, and rebuttal comments must be timely filed by October 11, 2007.

#### Determination of Industry Support for the Petition

Section 732(b)(1) of the Act requires that a petition be filed on behalf of the domestic industry. Section 732(c)(4)(A) of the Act provides that a petition meets this requirement if the domestic producers or workers who support the petition account for: (i) at least 25

percent of the total production of the domestic like product; and (ii) more than 50 percent of the production of the domestic like product produced by that portion of the industry expressing support for, or opposition to, the petition. Moreover, section 732(c)(4)(D) of the Act provides that, if the petition does not establish support of domestic producers or workers accounting for more than 50 percent of the total production of the domestic like product, the Department shall: (i) poll the industry or rely on other information in order to determine if there is support for the petition, as required by subparagraph (A), or (ii) determine industry support using a statistically valid sampling method.

Section 771(4)(A) of the Act defines the "industry" as the producers as a whole of a domestic like product. Thus, to determine whether a petition has the requisite industry support, the statute directs the Department to look to producers and workers who produce the domestic like product. The International Trade Commission ("ITC"), which is responsible for determining whether "the domestic industry" has been injured, must also determine what constitutes a domestic like product in order to define the industry. While both the Department and the ITC must apply the same statutory definition regarding the domestic like product (section 771(10) of the Act), they do so for different purposes and pursuant to a separate and distinct authority. In addition, the Department's determination is subject to limitations of time and information. Although this may result in different definitions of the like product, such differences do not render the decision of either agency contrary to law. See *USEC, Inc. v. United States*, 132 F. Supp. 2d 1, 8 (CIT 2001), citing *Algoma Steel Corp. Ltd. v. United States*, 688 F. Supp. 639, 644 (CIT 1988), *aff'd* 865 F.2d 240 (Fed. Cir. 1989), *cert. denied* 492 U.S. 919 (1989).

Section 771(10) of the Act defines the domestic like product as "a product which is like, or in the absence of like, most similar in characteristics and uses with, the article subject to an investigation under this subtitle." Thus, the reference point from which the domestic like product analysis begins is "the article subject to an investigation," (i.e., the class or kind of merchandise to be investigated, which normally will be the scope as defined in the petition).

With regard to the domestic like product, Petitioner does not offer a definition of domestic like product distinct from the scope of the investigation. Based on our analysis of the information submitted on the

record, we have determined that wire hangers constitute a single domestic like product and we have analyzed industry support in terms of that domestic like product. For a discussion of the domestic like product analysis in this case, see the *Antidumping Duty Investigation Initiation Checklist: Steel Wire Garment Hangers from the People's Republic of China (PRC)*, Industry Support at Attachment II ("*Initiation Checklist*"), on file in the CRU.

As stated above, on August 21, 2007, the Department published a notice extending the initiation deadline by 20 days to poll the domestic industry, in accordance with section 732(c)(4)(D) of the Act, because it was "not clear from the Petition whether the industry support criteria have been met..." See *Extension of Initiation Deadline*, 72 FR at 46606. On August 16, 2007, we issued polling questionnaires to all known domestic producers of wire hangers identified in the Petition and by the Department's research. The questionnaires are on file in the CRU. For a detailed discussion of the responses received, see *Initiation Checklist* at Attachment II.

Based on an analysis of the data collected from polling the domestic industry, we determine that the domestic producers or workers who support the Petition account for at least 25 percent of the total production of the domestic like product, and the requirements of section 732(c)(4)(A)(i) of the Act are met. Furthermore, given that Petitioner and supporters of the Petition represent more than 50 percent of the production of the domestic like product provided by that portion of the industry expressing support or opposition to the Petition, the requirements of section 732(c)(4)(A)(ii) of the Act are also met. Accordingly, we determine that this Petition is filed on behalf of the domestic industry within the meaning of section 732(b)(1) of the Act. See *Initiation Checklist* at Attachment II.

The Department finds that Petitioner filed the Petition on behalf of the domestic industry because it is an interested party as defined in sections 771(9)(C) and (D) of the Act and it has demonstrated sufficient industry support with respect to the antidumping duty investigation that it is requesting the Department initiate. See *Initiation Checklist* at Attachment II.

#### Allegations and Evidence of Material Injury and Causation

Petitioner alleges that the U.S. industry producing the domestic like product is being materially injured by reason of the imports of the subject

merchandise sold at less than NV. Petitioner contends that the industry's injured condition is illustrated by reduced market share, production, capacity and capacity utilization, shipments, by underselling and price depressing and suppressing effects, by lost revenue and sales, by reduced employment, by decline in financial performance, and by an increase in import penetration. We have assessed the allegations and supporting evidence regarding material injury, threat of material injury, and causation, and we have determined that these allegations are properly supported by adequate evidence and meet the statutory requirements for initiation. See *Initiation Checklist* at Attachment III.

#### **Allegations of Sales at Less Than Fair Value**

The following is a description of the allegations of sales at less than fair value upon which the Department based its decision to initiate this investigation of imports of steel wire garment hangers from the PRC. The sources of data for the deductions and adjustments relating to the U.S. price and the factors of production are also discussed in the *Initiation Checklist*. See *Initiation Checklist*. Should the need arise to use any of this information as facts available, pursuant to section 776 of the Act, in our preliminary or final determination, we will reexamine the information and revise the margin calculations, if appropriate.

#### **Export Price**

Petitioner relied on 12 U.S. prices for steel wire garment hangers manufactured in the PRC and offered for sale in the United States. The prices quoted were for four different types of steel wire garment hangers falling within the scope of the this Petition, for delivery to the U.S. customer within the POI. Petitioner deducted from the prices the costs associated with exporting and delivering the product, including ocean freight and insurance charges, and U.S. duty, port and wharfage fees. See *Initiation Checklist*. Petitioner provided declarations indicating the importer profit margin and based international freight on its knowledge and experience. See Petition at Exhibit 36, and Supplement to the Petition, dated August 8, 2007, at pages 16–17. Additionally, Petitioner deducted from the prices a U.S. credit adjustment using the average prime rate for the POI from the U.S. Federal Reserve, at <http://www.federalreserve.gov>. See *Initiation Checklist*, at Attachment V; Supplement to the Petition, dated August 27, 2007, at Attachment 3.

Petitioner also calculated a margin based on the weighted average unit value ("AUV") data for the POI of imports from the PRC under HTSUS subheading 7326.20.0020, which contains only subject merchandise. Since the AUV for HTS 7326.20.0020 is on an FOB basis, there were no deductions made from the AUV to obtain the U.S. price.

#### **Normal Value**

Petitioner stated that the PRC remains an NME country and no determination to the contrary has yet been made by the Department. Recently, the Department examined the PRC's market status and determined that NME status should continue for the PRC. See *Memorandum from the Office of Policy to David M. Spooner, Assistant Secretary for Import Administration, Regarding the People's Republic of China Status as a Non-Market Economy*, dated May 15, 2006. (This document is available online at <http://ia.ita.doc.gov/download/prc-nme-status/prc-nme-status-memo.pdf>.) In addition, in two recent investigations, the Department also determined that the PRC is an NME country. See *Final Determination of Sales at Less Than Fair Value: Certain Activated Carbon from the People's Republic of China*, 72 FR 9508 (March 2, 2007); *Final Determination of Sales at Less Than Fair Value and Partial Affirmative Determination of Critical Circumstances: Certain Polyester Staple Fiber from the People's Republic of China*, 72 FR 19690 (April 19, 2007). In accordance with section 771(18)(C)(i) of the Act, the presumption of NME status remains in effect until revoked by the Department. The presumption of NME status for the PRC has not been revoked by the Department and remains in effect for purposes of the initiation of this investigation. Accordingly, the NV of the product is appropriately based on factors of production valued in a surrogate market economy country in accordance with section 773(c) of the Act. In the course of this investigation, all parties will have the opportunity to provide relevant information related to the issues of the PRC's NME status and the granting of separate rates to individual exporters.

Petitioner selected India as the surrogate country arguing that, pursuant to section 773(c)(4) of the Act, India is an appropriate surrogate because it is a market economy country that is at a level of economic development comparable to that of the PRC and there is publicly available information from India. See Petition at 39. Although India is not a significant producer of steel wire garment hangers, Petitioner argued

that India is a significant producer of comparable steel wire products. *Id.* at 40. Moreover, Petitioner argued that other potential surrogate countries, *i.e.*, Egypt, Indonesia, the Philippines, and Sri Lanka, not only are not significant producers of steel wire garment hangers, but also are not significant producers of comparable steel wire products. Based on the information provided by Petitioner, we believe that the use of India as a surrogate country is appropriate for purposes of initiation. After the initiation of the investigation, we will solicit comments regarding surrogate country selection. Also, pursuant to 19 CFR 351.301(c)(3)(i), interested parties will be provided an opportunity to submit publicly available information to value factors of production within 40 days of the date of signature of the preliminary determination.

Petitioner provided dumping margin calculations using the Department's NME methodology as required by 19 CFR 351.202(b)(7)(i)(C) and 19 CFR 351.408. Petitioner calculated NVs for each U.S. price discussed above based on the consumption rates for producing steel wire garment hangers from a U.S. producer, which it stated should be similar to the consumption of PRC producers. See Petition at 41. Petitioner used this U.S. producer's consumption figures for October 2005 to September 2006. See Supplement to the Petition, dated August 8, 2007, at Exhibit I.

For the NV calculations, Petitioner was unable to obtain surrogate value figures contemporaneous with the POI for all material inputs, and accordingly relied upon the most recent information available. The source of this data is the World Trade Atlas compilation of Indian import statistics, which provided data through December 2006 at the time the Petition was filed. See Petition at Exhibit 29. To value certain factors of production, Petitioner used official Indian government import statistics, excluding those values from countries previously determined by the Department to be NME countries and excluding imports into India from Indonesia, the Republic of Korea, and Thailand, because the Department has previously excluded prices from these countries because they maintain broadly available, non-industry specific export subsidies. See *Final Results of Administrative Review and Final Results of New Shipper Review: Hand Trucks and Certain Parts Thereof from the People's Republic of China*, 72 FR 27287 (May 15, 2007), and accompanying Issues and Decision Memorandum at Comment 23. Additionally, Petitioner also

disregarded prices from North Korea, as the Department has in previous cases. *See Final Results of Antidumping Duty Administrative Review: Chrome-Plated Lug Nuts from the People's Republic of China*, 61 FR 58514 (November 15, 1996); *Preliminary Results of Antidumping Duty Administrative Review: Certain Frozen Fish Fillets from the Socialist Republic of Vietnam*, 71 FR 53387, 53399 (September 11, 2006).

For inputs valued in Indian rupees and not contemporaneous with the POI, Petitioner used information from the wholesale price indices ("WPI") in India as published in International Financial Statistics by the International Monetary Fund to inflate the input prices. *See* Petition at Exhibits 33 and 34; Supplement to the Petition, dated August 27, 2007, at Attachment 1. In addition, Petitioner made currency conversions, where necessary, based on the average rupee/U.S. dollar exchange rate for the POI, as reported on the Department's Web site at <http://ia.ita.doc.gov/exchange/index.html>.

Petitioner valued electricity in the production of steel wire garment hangers based on the Indian electricity rate as reported in the Key World Energy Statistics 2003, published by the International Energy Agency for the year 2000. *See* Petition at Exhibit 30 (*Memorandum to the File, through Alex Villanueva, Program Manager, Office 9, Import Administration, from Matthew Renkey, Senior Analyst, RE: Antidumping Duty Administrative Review of Glycine from the People's Republic of China: Surrogate Values for the Preliminary Results*, dated April 2, 2007 ("Glycine from the PRC")). Petitioner valued water using the value from *Glycine from the PRC*, which was calculated from the simple average rate of water for industrial use from various regions as reported by the Maharashtra Industrial Development Corporation at <http://midcindia.org>, dated June 1, 2003. *Id.* Petitioner valued natural gas using the 2005 rate for India published by the American Chemistry Council. *See* Petition at Exhibit 31. In each case, Petitioner adjusted these figures for inflation to the POI using WPI data. *See* Supplement to the Petition, dated August 27, 2007, at Attachments 1–2.

For the NV calculations, Petitioner calculated the surrogate financial ratios from the factory overhead, selling, general and administrative expenses, and profitability of an Indian manufacturer of steel fasteners, Lakshmi Precision Screws Ltd. ("Lakshmi"), which were used in the initiation of certain steel nails from the PRC. *See Initiation of Antidumping Investigation: Certain Steel Nails from the People's*

*Republic of China and the United Arab Emirates*, 72 FR 38816 (July 16, 2007) ("*Initiation of Nails from the PRC*"); *see also* Petition at 42 and Exhibit 35. Petitioner claims that Lakshmi is an appropriate source for surrogate financial ratios because the company produces fabricated wire products that use the same input, steel wire, as steel wire garment hangers and the company's data is publicly available. Petitioner states that Lakshmi produces its finished downstream wire products in a manner similar to steel wire garment hangers, *i.e.*, specifically feeding the steel wire from coils into a machine where the wire is straightened, cut to the designated length, and formed into the finished product. *See* Supplement to the Petition, dated August 8, 2007, at 26. Petitioner stated that it was unable to find public financial statements from Indian steel wire garment hanger producers because India does not have a domestic garment hanger industry; therefore, Petitioner argues, Lakshmi provides the best information reasonably available as a surrogate for the production of steel wire garment hangers in the PRC. *See* Supplement to the Petition, dated August 8, 2007, at 19.

The Department finds that Petitioner's use of Lakshmi as the source for the surrogate financial expenses is appropriate for purposes of initiation. Specifically, the Department finds that Lakshmi is the best publicly available source for the surrogate financial ratios because Lakshmi produces wire products using a main input and a production process similar to that of steel wire garment hangers. However, the Department made minor modifications to the surrogate financial ratios calculated by Petitioner. Additionally, the Department made a minor modification to the weighted average NV for the POI of imports from the PRC under HTSUS subheading 7326.20.0020. As a result, the calculations for the 12 NVs, the weighted-average NV, and the resulting margin calculations changed slightly. *See Initiation Checklist* at Attachment V.

#### Fair Value Comparisons

Based on the data provided by Petitioner, there is reason to believe that imports of steel wire garment hangers from the PRC are being, or are likely to be, sold in the United States at less than fair value. Based on comparisons of export price to NV, calculated in accordance with section 773(c) of the Act, the estimated dumping margins for steel wire garment hangers from the PRC range from 203.02 to 618 percent.

However, the Department may re-examine these carefully if it becomes necessary to consider the Petition margins for purposes of applying adverse facts available.

#### Initiation of Antidumping Investigation

Based upon the examination of Petition on steel wire garment hangers from the PRC, the Department finds that the Petition meets the requirements of section 732 of the Act. Therefore, we are initiating this antidumping duty investigation to determine whether imports of steel wire garment hangers from the PRC are being, or are likely to be, sold in the United States at less than fair value. In accordance with section 733(b)(1)(A) of the Act, unless postponed, we will make our preliminary determination no later than 140 days after the date of this initiation.

#### Separate Rates

The Department recently modified the process by which exporters and producers may obtain separate-rate status in NME investigations. *See* Policy Bulletin 05.1: Separate-Rates Practice and Application of Combination Rates in Antidumping Investigations involving Non-Market Economy Countries (April 5, 2005) (*Separate Rates and Combination Rates Bulletin*), available on the Department's website at <http://ia.ita.doc.gov/policy/bull05-1.pdf>. The process requires the submission of a separate-rate status application. Based on our experience in processing the separate-rate applications in the following antidumping duty investigations, we have modified the application for this investigation to make it more administrable and easier for applicants to complete. *See Initiation of Antidumping Duty Investigation: Certain New Pneumatic Off-the-Road Tires from the People's Republic of China*, 72 FR 43591 (August 6, 2007) ("*Tires from the PRC*"); *Initiation of Nails from the PRC*, 72 FR 38816; *Initiation of Antidumping Duty Investigation: Circular Welded Carbon Quality Steel Pipe from the People's Republic of China*, 72 FR 36663 (July 5, 2007); and *Initiation of Antidumping Duty Investigations: Coated Free Sheet Paper from Indonesia, the People's Republic of China, and the Republic of Korea*, 71 FR 68537 (November 27, 2006). The specific requirements for submitting the separate-rate application in this investigation are outlined in detail in the application itself, which will be available on the Department's website at <http://ia.ita.doc.gov/ia-highlights-and-news.html> on the date of publication of this initiation notice in

the **Federal Register**. The separate-rate application is due no later than November 9, 2007.

#### **Respondent Selection and Quantity and Value Questionnaire**

In recent NME investigations, it has been the Department's practice to request quantity and value information from all known exporters identified in the petition. See *Initiation of Nails from the PRC*, 72 FR at 38821; *Tires from the PRC*, 72 FR at 43595. However, for this investigation, because HTSUS subheading 7326.20.00.20, as discussed above in the "Scope of the Investigation," provides comprehensive coverage of imports of steel wire garment hangers, the Department expects to select respondents in this investigation based on U.S. Customs and Border Protection ("CBP") data of U.S. imports under HTSUS subheading 7326.20.0020 from the POI.

#### **Use of Combination Rates in an NME Investigation**

The Department will calculate combination rates for certain respondents that are eligible for a separate rate in this investigation. The *Separate Rates and Combination Rates Bulletin*, states:

{w}hile continuing the practice of assigning separate rates only to exporters, all separate rates that the Department will now assign in its NME investigations will be specific to those producers that supplied the exporter during the period of investigation. Note, however, that one rate is calculated for the exporter and all of the producers which supplied subject merchandise to it during the period of investigation. This practice applies both to mandatory respondents receiving an individually calculated separate rate as well as the pool of non-investigated firms receiving the weighted-average of the individually calculated rates. This practice is referred to as the application of "combination rates" because such rates apply to specific combinations of exporters and one or more producers. The cash-deposit rate assigned to an exporter will apply only to merchandise both exported by the firm in question and produced by a firm that supplied the exporter during the period of investigation.

See *Separate Rates and Combination Rates Bulletin*, at 6.

#### **Distribution of Copies of the Petition**

In accordance with section 732(b)(3)(A) of the Act, copies of the public version of the Petition have been provided to the representative of the Government of the PRC. We will attempt to provide a copy of the public version of the Petition to the foreign producers/exporters, consistent with 19 CFR 351.203(c)(2).

#### **International Trade Commission Notification**

We have notified the ITC of our initiation, as required by section 732(d) of the Act.

#### **Preliminary Determinations by the International Trade Commission**

The ITC will preliminarily determine, within 25 days after the date on which it receives notice of this initiation, whether there is a reasonable indication that imports of steel wire garment hangers from the PRC are causing, or threatening to cause, material injury to a U.S. industry. See section 733(a)(2)(A)(i) of the Act. A negative ITC determination will result in the investigation being terminated; otherwise, this investigation will proceed according to statutory and regulatory time limits.

This notice is issued and published pursuant to section 777(i) of the Act.

Dated: September 10, 2007.

**Joseph A. Spetrini,**

*Deputy Assistant Secretary for Import Administration.*

[FR Doc. E7-18247 Filed 9-14-07; 8:45 am]

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