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International Trade Administration
Washington, D.C. 20230

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DATE: October 16, 2018

MEMORANDUM TO: Christian Marsh
Deputy Assistant Secretary
for Enforcement and Compliance

FROM: James Maeder
Associate Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations
performing the duties of Deputy Assistant Secretary
for Antidumping and Countervailing Duty Operations

SUBJECT: Issues and Decision Memorandum for the Administrative Review of the Antidumping Duty Order on Steel Wire Garment Hangers from the People's Republic of China; 2016-2017

SUMMARY

The Department of Commerce (Commerce) is conducting an administrative review of the antidumping duty *Order*[1] on steel wire garment hangers from the People's Republic of China (China).[2] Following the *Preliminary Results*[3] and based on the analysis of the comment received, we made certain changes to our preliminary margin calculation for these final results. We recommend that you approve the position described in the "Discussion of the Issue" section of this memorandum. Below is the issue in this administrative review for which we received comments:

Comment: Whether to Treat Other Income as an Offset to Selling, General, and Administrative Expenses

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[1] *See Notice of Antidumping Duty Order: Steel Wire Garment Hangers from the People's Republic of China*, 73 FR 58111 (October 6, 2008) (*Order*).
[2] *See Initiation of Antidumping and Countervailing Duty Administrative Reviews*, 82 FR 57705 (December 7, 2017) (*Initiation Notice*).
[3] *See Steel Wire Garment Hangers from the People's Republic of China: Preliminary Results of Antidumping Duty Administrative Review; 2016-2017*, 83 FR 32634 (July 13, 2018) (*Preliminary Results*), and accompanying Preliminary Decision Memorandum.

INTERNATIONAL TRADE ADMINISTRATION

BACKGROUND

On July 13, 2018, Commerce published the *Preliminary Results* of this administrative review. On August 10, 2018, the mandatory respondent, Shanghai Wells Hanger Co., Ltd., Hong Kong Wells Ltd., and Hong Kong Wells Ltd. (USA) (collectively, Shanghai Wells),[4] timely submitted its case brief.[5] M&B Metal Products Company Inc. (the petitioner), did not file a case or rebuttal brief in this proceeding.

SCOPE OF THE ORDER

The merchandise that is subject to the *Order* 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 the *Order* are wooden, plastic, and other garment hangers that are not made of steel wire. Also excluded from the scope of the *Order* are chrome-plated steel wire garment hangers with a diameter of 3.4 mm or greater. The products subject to the *Order* are currently classified under HTSUS subheadings 7326.20.0020, 7323.99.9060, and 7323.99.9080.

Although the HTSUS subheadings are provided for convenience and customs purposes, the written description of the merchandise is dispositive.[6]

DISCUSSION OF THE ISSUE:

Comment: Whether to Treat Other Income as an Offset to Selling, General, and Administrative Expenses

Shanghai Wells' Comments:

- Commerce added the revenue from the "other income" line item, found in the surrogate Thai financial statements of Bangkok Fastening Company Limited (Bangkok Fastening), to the selling, general, and administrative **(**SG&A) expenses in the calculation of

[4] In the first administrative review of the *Order*, Commerce found that Shanghai Wells Hanger Co., Ltd. and Hong Kong Wells Ltd., and Hong Kong Wells Ltd. (USA) are affiliated and that Shanghai Wells Hanger Co., Ltd. and Hong Kong Wells Ltd. are a single entity. Because there were no changes to the facts that supported that decision since that determination was made, we continue to find that these companies are affiliated, and that Shanghai Wells Hanger Co., Ltd. and Hong Kong Wells Ltd. comprise a single entity for this administrative review. *See Steel Wire Garment Hangers from the People's Republic of China: Preliminary Results and Preliminary Rescission, in Part, of the First Antidumping Duty Administrative Review*, 75 FR 68758, 68761 (November 9, 2010), unchanged in *First Administrative Review of Steel Wire Garment Hangers from the People's Republic of China: Final Results and Final Partial Rescission of Antidumping Duty Administrative Review*, 76 FR 27994, 27996 (May 13, 2011).
[5] *See* Shanghai Wells' Case Brief, "Ninth Administrative Review of Steel Wire Garment Hangers from the People's Republic of China – Case Brief," dated August 10, 2018 (Shanghai Wells' Case Brief).
[6] *See Order*, 73 FR at 58111.

surrogate financial ratios.[7] The revenue from "other income" should have been treated as an offset (*i.e.*, reduction) to the SG&A expenses.[8]

- The addition of "other income" inflated the SG&A expenses, which is the numerator for the SG&A ratio and is part of the denominator for the profit ratio. As a result, the inflated SG&A expense value directly generated an incorrect SG&A ratio and subsequently, an incorrect profit ratio.[9]
- As found in *Boltless Shelves 2015*[10] and *Citric Acid 2011*,[11] Commerce's general practice is to treat other income as related to the general operations of the company and, therefore, include the revenue from other income as an offset to SG&A expenses.[12]

The Petitioner's Comments:

- The petitioner did not comment on this issue.

Commerce Position:

We agree with Shanghai Wells that the revenue from the "other income" line item found in the financial statements of Bangkok Fastening should be included as an offset, and, therefore, a reduction, to the SG&A expense.

Commerce's general practice is to treat other income as related to the general operations of the company and, therefore, include other income as an offset to the company's SG&A expenses.[13] The exception is when the reported information and the information in the surrogate financial statements indicate otherwise, including if, for example, the income has been reported as an FOP, the income relates to a separate line of business, or the income relates to the disposal of non-routine assets.[14] We find that there is no other information in the financial statements of Bangkok Fastening, or elsewhere on the record of this review, that suggests that the "other

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[7] *See* Shanghai Wells' Case Brief at 1; *see also* Memorandum, "Ninth Administrative Review of Steel Wire Garment Hangers from the People's Republic of China: Surrogate Values for the Preliminary Results," dated July 6, 2018 (Prelim Surrogate Value Memorandum).

[8] *See* Shanghai Wells' Case Brief at 1.

[9] *Id.*

[10] *See Boltless Steel Shelving Units Prepackaged for Sale from the People's Republic of China: Final Determination of Sales at Less Than Fair Value*, 80 FR 51779 (August 26, 2015) (*Boltless Shelves 2015*), and accompanying Issues and Decision Memorandum at Comment 8A.

[11] *See Citric Acid and Certain Citrate Salts from the People's Republic of China: Final Results of the First Administrative Review of the Antidumping Duty Order,* 76 FR 77772 (December 14, 2011) (*Citric Acid 2011*), and accompanying Issues and Decision Memorandum at Comment 9.

[12] *Id.*

[13] *See, e.g., Citric Acid 2011* Issues and Decision Memorandum at Comment 9; *Boltless 2015* Issues and Decision Memorandum at Comment 8A.

[14] *See Boltless 2015* Issues and Decision Memorandum at Comment 8A; *see also Wooden Bedroom Furniture from the People's Republic of China: Final Results and Final Rescission in Part*, 76 FR 49729 (August 11, 2011), and accompanying Issues and Decision Memorandum at Comment 19 and *Certain New Pneumatic Off-The-Road Tires from the People's Republic of China: Final Affirmative Determination of Sales at Less Than Fair Value and Partial Affirmative Determination of Critical Circumstances*, 73 FR 40485 (July 15, 2008), and accompanying Issues and Decision Memorandum at Comment 18.

income" line item meets any of the abovementioned exceptions.[15] Because there is no record information to dispute this assumption, we find that it is reasonable to determine that the "other income" line item relates to the general operations of the company.

Commerce also agrees that the addition of revenue from the "other income" line item inflated the aggregate SG&A expenses. The SG&A expenses are used to calculate the numerator and part of the denominator for the SG&A and profit ratios, respectively.[16] Because the SG&A expenses are inflated, the resulting surrogate value ratios for SG&A and profit are inaccurate. Treating the revenue from the "other income" line item as an offset, rather than as an addition item, reduces the aggregate SG&A expenses. As a result, the calculations that include the revised SG&A expenses generate a downward adjustment of the SG&A ratio and an upward adjustment of the profit ratio.[17]

As explained above, Commerce's general practice is to treat other income items as an offset to SG&A expenses. There is no record information suggesting that the "other income" line item is not related to the general operations of the company. Therefore, for the final results, Commerce will treat the "other income" line item in Bangkok Fastening's financials statement as an offset, and therefore, a reduction to the company's SG&A expenses in accordance with our general practice.[18]

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[15] *See* Shanghai Wells' Letter, "Ninth Administrative Review of Steel Wire Garment Hangers from the People's Republic of China – Submission of Surrogate Value Information," dated June 4, 2018 at Exhibit 1.
[16] *See* Prelim Surrogate Value Memorandum at Attachment 9.
[17] *See* Memorandum, "Ninth Administrative Review of Steel Wire Garment Hangers from the People's Republic of China: Final Results Analysis Memorandum for Shanghai Wells Hanger Co., Ltd.," dated concurrently with this memorandum.
[18] *See* Memorandum, "Ninth Administrative Review of Steel Wire Garment Hangers from the People's Republic of China: Surrogate Values for the Final Results," dated concurrently with this memorandum.

RECOMMENDATION

Based on our analysis of the comment received, we recommend adopting the above position and making changes to the *Preliminary Results*. If accepted, we will publish the final results of review and the final weighted-average dumping margin for Shanghai Wells in the *Federal Register*.

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Agree Disagree

10/16/2018

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Signed by: CHRISTIAN MARSH

Christian Marsh
Deputy Assistant Secretary
for Enforcement and Compliance