



U.S. Customs and Border Protection

PUBLIC VERSION

February 26, 2020

AB MA Distribution Corp.
1448 Holts Grove Circle
Winter Park, Florida 32789

J&S Trading Inc.
1121 13th Street, #187
Boulder, Colorado 80302

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On behalf of M&B Metal Products Company Inc.
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Re: Notice of Initiation of Investigation and Interim Measures - EAPA Cons. Case 7379

To the Counsel and Representatives of the above-referenced entities:

This letter is to inform you that U.S. Customs and Border Protection (CBP) has commenced a formal investigation under Title IV, Section 421 of the Trade Facilitation and Trade Enforcement Act of 2015, commonly referred to as the Enforce and Protect Act (EAPA), for AB MA Distribution Corp. (AB MA) and J&S Trading Inc. (J&S) (collectively, the Importers). CBP is investigating whether the Importers evaded antidumping duty (AD) order A-570-918¹ on steel wire garment hangers (hangers) from the People's Republic of China (China) when importing hangers into the United States. Because evidence supports a reasonable suspicion that the Importers entered covered merchandise into the customs territory of the United States through evasion, CBP has imposed interim measures.²

Period of Investigation

Pursuant to 19 CFR 165.2, entries covered by an EAPA investigation are those “entries of allegedly covered merchandise made within one year before the receipt of an allegation....” Entry is defined as an “entry, or withdrawal from warehouse for consumption, of merchandise in

¹ See *Notice of Antidumping Duty Order: Steel Wire Garment Hangers from the People's Republic of China*, 73 FR 58111 (Dept. Commerce, March 11, 1986) (the *Order*).

² See 19 USC 1517(e); see also 19 CFR 165.24.

the customs territory of the United States.”³ CBP acknowledged receipt of the properly filed allegation against the Importers on October 30, 2019.⁴ These two investigations are now consolidated as discussed further below, and the entries covered by the consolidated investigation are those entered for consumption, or withdrawn from warehouse for consumption, from October 30, 2018, through the pendency of this investigation.⁵

Initiation

On November 21, 2019, the Trade Remedy Law Enforcement Directorate (TRLED), within CBP’s Office of Trade, initiated this investigation under EAPA as a result of an allegation submitted by M&B Metal Products Company, Inc. (M&B)⁶ on evasion of antidumping duties by the Importers.⁷ In the allegation, M&B claims that the Importers are importing hangers of Chinese origin into the United States and claiming that they are produced in India and shipped by Kaylee International Private Limited (Kaylee) in order to avoid the payment of antidumping duties.⁸

M&B states that between June 2018 and April 2019, J&S Trading received at least 23 shipments of hangers from Kaylee (approximately 35,489 cartons of hangers, or 17,744,500 hangers).⁹ M&B also states that between May 2018 and February 2019, AB MA received at least 36 shipments of hangers from Kaylee (approximately 50,175 cartons of hangers, or 25,087,500 hangers).¹⁰ M&B states that it hired a market researcher to determine if Kaylee was legitimate producer of steel wire garment hangers.¹¹ M&B’s researcher visited the addresses listed on Kaylee’s company website, registration documents, and ocean bills of lading.¹² M&B claims that the foreign market researcher found no evidence of any hanger production, warehousing, shipping facilities, or administrative offices at either one of Kaylee’s two locations.¹³

³ See 19 USC 1517(a)(4); see also 19 CFR 165.1.

⁴ See email “Receipt of EAPA Allegation 7379: Transshipment / Steel Wire Garment Hangers,” dated October 30, 2019; see also email “Receipt of EAPA Allegation 7380: Transshipment / Steel Wire Garment Hangers,” dated October 30, 2019.

⁵ See 19 CFR 165.2.

⁶ The allegor is a manufacturer in the U.S. of steel wire garment hangers, and thus, pursuant to 19 CFR 165.1(1), meet the definition of an interested party that is permitted to submit an EAPA allegation.

⁷ See CBP Memorandum, “Initiation of Investigation for EAPA Case Number 7379 – AB MA Distribution Corp.,” dated November 21, 2019 (AB MA Initiation); see also CBP Memorandum, “Initiation of Investigation for EAPA Case Number 7380 – J&S Trading Inc.,” dated November 21, 2019 (J&S Initiation).

⁸ See Letter from the Allegers, “EAPA Duty Evasion Allegation concerning Steel Wire Garment Hangers Imported from India – J&S Trading Inc.,” dated August 6, 2019; see also Letter from the Allegers, “EAPA Duty Evasion Allegation concerning Steel Wire Garment Hangers Imported from India – AB MA Distribution Corp.,” dated August 6, 2019, (collectively, Allegations) at 1-2.

⁹ *Id.*, at 12. M&B reports that one carton holds 500 shirt hangers. *Id.*, at 11 fn. 11.

¹⁰ *Id.*, at 11.

¹¹ *Id.*, at 3 and Exhibit 3.

¹² *Id.*, at 3-4.

¹³ *Id.*, at 3-4, Exhibits 4 and 5.

Moreover, M&B notes that Kaylee’s financial statements and reports indicate that it is in the “manufacturing” of “metal and metal products” with a hanger inventory turnover of 4,153,400 Rupees.¹⁴ However, in the same financial statements, it does not report property, plant, or equipment on the balance sheet and has no reported depreciation of machinery, which are items typically included by manufacturers in financial statements.¹⁵ Furthermore, Kaylee’s profit-and-loss statement indicates that it is in the business of the purchasing and selling of hangers, not the manufacture of them.¹⁶

Furthermore, M&B states that Kaylee’s website has a number of discrepancies that do not lend credence to it being a legitimate hanger producer; for instance, Kaylee’s website claims that it has been in the business of exporting hangers since 2014, but,¹⁷ M&B points out that Kaylee’s shipments of hangers to AB MA and J&S Trading began arriving in the United States in May 2018 and June 2018, respectively.¹⁸ Additionally, Kaylee’s website lifts from M&B’s website product descriptions and images verbatim with little to no alterations.¹⁹ M&B argues a legitimate manufacturer of hangers would have no need to plagiarize another company’s description of its machinery and production process.²⁰ Taken *in toto* it is a strong indication that Kaylee does not produce wire hangers at its facilities, but is instead participating in transshipment.²¹

M&B provided []²² The [] identified [] as the shippers.²³ M&B notes that the []²⁴ M&B compares the [] information to [] data and notes that it showed []²⁵ M&B also notes that the []²⁶

M&B alleges that J&S has links to Ri-San Development Inc.²⁷ M&B states that J&S was formed on October 3, 2017, and the principal address of the company is 1121 13th St. #187, Boulder,

¹⁴ *Id.*, at 5. On February 26, 2020, 1 Rupee was worth 0.014 USD; therefore, 4,153,400 Rupees is approximately, 58,000 USD.

¹⁵ *Id.*, at 5-6 and Exhibit 10.

¹⁶ *Id.*, at 6 and Exhibit 10.

¹⁷ *Id.*, at 7 and Exhibit 11.

¹⁸ *Id.*, at 11, 12 and Exhibit 21.

¹⁹ *Id.*, at 7 and Exhibit 11.

²⁰ *Id.*, at 7-8.

²¹ *Id.*, at 7-8.

²² *Id.*, at 8 and Exhibit 13.

²³ *Id.*, at 8 and Exhibit 13.

²⁴ *Id.*, at 8 and Exhibit 14.

²⁵ *Id.*, at 8, Exhibits 13 and 14.

²⁶ *Id.*, at 8, Exhibits 13 and 14.

²⁷ *Id.*, at 10.

Colorado 80302, with the registered agent Renmei Zhuang.²⁸ M&B states that Ri-San Development Inc. (Ri-San) was formed in Colorado on June 3, 2017, at the same principal address as J&S.²⁹ M&B states that from June 2017 to September 2017, Ri-San imported hangers from Wiron Hanger Industries Sdn. Bhd. in Malaysia (a company found to be nonexistent in EAPA Consolidated Case 7191).³⁰ M&B states that Ri-San ceased importing in October 2017 (*i.e.*, around the same time as when J&S was formed).³¹

M&B alleges that AB MA has links to Garment Cover Supply LLC.³² M&B states that AB MA was formed on February 20, 2018, and the principal address of the company is 707 E. Colonial Dr., Ste. B-116, Orlando, Florida 32803, but the mailing address of AB MA is 1448 Holts Grove Circle, Winter Park, Florida 32789.³³ M&B states that 1448 Holts Grove Circle, Winter Park, Florida, is a residential address owned by Zhe John Liu and Zhiwen Wendy Zhang.³⁴ M&B states that Garment Cover Supply LLC was one of eight importers found to be participating in a transshipment scheme of hangers from Malaysia in EAPA Consolidated Case 7191.³⁵ M&B states that Garment Cover Supply LLC's reported address and identified manager are nearly identical to AB MA (*i.e.*, 707 E. Colonial Dr., Ste. B-110, Orlando, Florida 32803, and Zhe John Liu).³⁶

Initiation Assessment

TRLED will initiate an investigation if it determines that “{t}he information provided in the allegation ... reasonably suggests that the covered merchandise has been entered for consumption into the customs territory of the United States through evasion.”³⁷ Evasion is defined as “the entry of covered merchandise into the customs territory of the United States for consumption by means of any document or electronically transmitted data or information, written or oral statement, or act that is material and false, or any omission that is material, and that results in any cash deposit or other security or any amount of applicable antidumping or countervailing duties being reduced or not being applied with respect to the covered merchandise.”³⁸ Thus, the allegation must reasonably suggest not only that merchandise subject to an AD and/or CVD order was entered into the United States by the importer alleged to be evading, but that such entry was made by a material false statement or act, or material omission, that resulted in the reduction or avoidance of applicable AD and/or CVD cash deposits or other security.

²⁸ *Id.*, at 10, Exhibits 18 and 21.

²⁹ *Id.*, at 11 and Exhibit 19.

³⁰ *Id.*, at 11 and Exhibit 20.

³¹ *Id.*, at 11.

³² *Id.*, at 9.

³³ *Id.*, at 10, Exhibits 18 and 21.

³⁴ *Id.*, at 10 and Exhibit 16.

³⁵ *Id.*, at 10 and Exhibit 17.

³⁶ *Id.*, at 10.

³⁷ See 19 CFR 165.15(b); *see also* 19 USC 1517(b)(1).

³⁸ See 19 CFR 165.1; *see also* 19 USC 1517(a)(5)(A).

In assessing M&B's claims, the reports, the photographs of Kaylee's Indian facilities, and Kaylee's financial reports reasonably suggest that Kaylee's Indian facility is incapable of manufacturing steel wire garment hangers in its facilities. These items, combined with trade data provided by M&B showing Kaylee [] and exporting [] to the Importers, reasonably suggest that the Importers attempted to evade the *Order* through the transshipment of Chinese-origin hangers through India. Consequently, TRLED initiated two investigations pursuant to 19 USC 1517(b)(1) and 19 CFR 165.15.³⁹

Interim Measures

Not later than 90 calendar days after initiating an investigation under EAPA, TRLED will decide based on the record of the investigation if there is reasonable suspicion that merchandise covered by the AD/CVD orders was entered into the United States through evasion. Therefore, CBP need only have sufficient evidence to support a reasonable suspicion that merchandise covered by an AD or CVD order was entered into the United States by the importer by a material false statement or act, or material omission, that resulted in the reduction or avoidance of applicable AD or CVD cash deposits or other security. If reasonable suspicion exists, CBP will impose interim measures pursuant to 19 USC 1517(e) and 19 CFR 165.24. As explained below, CBP is imposing interim measures because there is a reasonable suspicion that the importers entered covered merchandise into the United States through evasion by means of transshipment through India.⁴⁰

Other Record Evidence

On February 14, 2020, CBP added a memorandum to the administrative record pertaining to a site visit that U.S. government officials conducted at Kaylee on July 18, 2019.⁴¹ In the report, personnel observed the following:

- Kaylee had no manufacturing, warehousing, or repacking facilities near its reported office.⁴²
- Company officials explained that they procured hangers from China for export to U.S.⁴³
- Company officials stated that they stopped doing Chinese hanger exports when they realized it was not acceptable.⁴⁴

³⁹ See 19 CFR 165.11; see also 19 CFR 165.15(2). See AB MA Initiation; see also J&S Initiation.

⁴⁰ See 19 CFR 165.24(a).

⁴¹ See Memorandum to the File "Attaché Report," dated February 14, 2020.

⁴² *Id.*, at attachment.

⁴³ *Id.*

⁴⁴ *Id.*

- Company officials stated they exported about []⁴⁵
- Kaylee would procure Chinese hangers and do [] from []⁴⁶
- Importers instructed Kaylee to not affix any manufacturer labels as importer wanted to put their own labels.⁴⁷
- Kaylee officials stated that they were doing business with []⁴⁸

U.S. Government officials clearly observed a lack of production during their visit and were explicitly told by company officials that they were transshipping hangers from China.⁴⁹

In summary, CBP was unable to corroborate the Importers' claims that hangers they imported were manufactured in India. As discussed above, a site visit by U.S. government officials confirmed the lack of production capacity and Kaylee's company officials admitting to transshipment of Chinese hangers.

Enactment of Interim Measures

Based on the information described above, TRLED finds that reasonable suspicion exists that the hangers that the Importers imported into the United States from India may be of Chinese-origin and should have been subject to AD duties.

As interim measures, unliquidated entries of hangers subject to this investigation will be rate-adjusted to reflect that they are subject to the AD order on hangers from China and cash deposits will be owed. CBP will also suspend the liquidation for any entry that has entered on or after November 21, 2019, the date of initiation for this investigation, as well as extend the period for liquidation for all unliquidated entries that entered before that date.⁵⁰ Additionally, "live entry" is required for all future imports for the Importers, meaning that all entry documents and cash deposits must be provided before cargo is released by CBP into U.S. commerce. CBP will reject any entry summaries that do not comply with live entry, and require refiling of entries that are within the entry summary rejection period. CBP will also evaluate the continuous bonds for the Importers to determine their sufficiency, among other measures, as needed. Finally, CBP may pursue additional enforcement actions, as provided by law, consistent with 19 USC 1517(h).

Consolidation of the Investigations

TRLED is consolidating the two investigations AB MA and J&S into a single investigation covering the two importers. The new consolidated case number will be EAPA Consolidated

⁴⁵ *Id.*

⁴⁶ *Id.*

⁴⁷ *Id.*

⁴⁸ *Id.*

⁴⁹ *Id.*

⁵⁰ *See* 19 CFR 165.24(b)(1)(i) and (ii).

Case 7379, and a single administrative record will be maintained. At its discretion, CBP may consolidate multiple allegations against one or more importers into a single investigation, pursuant to 19 CFR 165.13(b), which stipulates that the factors that CBP may consider in consolidating multiple allegations include, but are not limited to, whether the multiple allegations involve: 1) relationships between the importers; 2) similarity of covered merchandise; 3) similarity of AD order; and 4) overlap in time periods of entries of covered merchandise. In these investigations, the Importers are alleged to have entered suspected Chinese-origin hangers from India that are covered by the same AD order. The Importers' entries also fall within a common period of investigation. Moreover, the Importers have a common supplier in India. Because factors warranting consolidation are present in these investigations, CBP is consolidating them and providing this notice pursuant to 19 CFR 165.13(c). We note that the deadlines for the consolidated investigation will be set from the date of initiation of both allegations, which is November 21, 2019.⁵¹

For any future submissions or factual information that you submit to CBP pursuant to this consolidated EAPA investigation, please provide a business confidential version and a public version to CBP, as well as public versions to the parties to this investigation, sent to the email addresses of the parties identified at the top of this notice.⁵²

Should you have any questions regarding this investigation, you may contact us at eapallegations@cbp.dhs.gov with "EAPA Case 7379" in the subject line of your email. Additional information on this investigation, including the applicable statute and regulations, may be found on CBP's website at: <https://www.cbp.gov/trade/tradeenforcement/tftea/enforce-and-protect-act-eapa>.

Sincerely,

Kristina Horgan

Kristina Horgan
Acting Director, Enforcement Operations Division
Trade Remedy & Law Enforcement Directorate
CBP Office of Trade

⁵¹ See 19 CFR 165.13(a); see also 19 USC 1517(b)(5)(B).

⁵² See 19 CFR 165.4; see also 19 CFR 165.23(c); see also 19 CFR 165.26.