

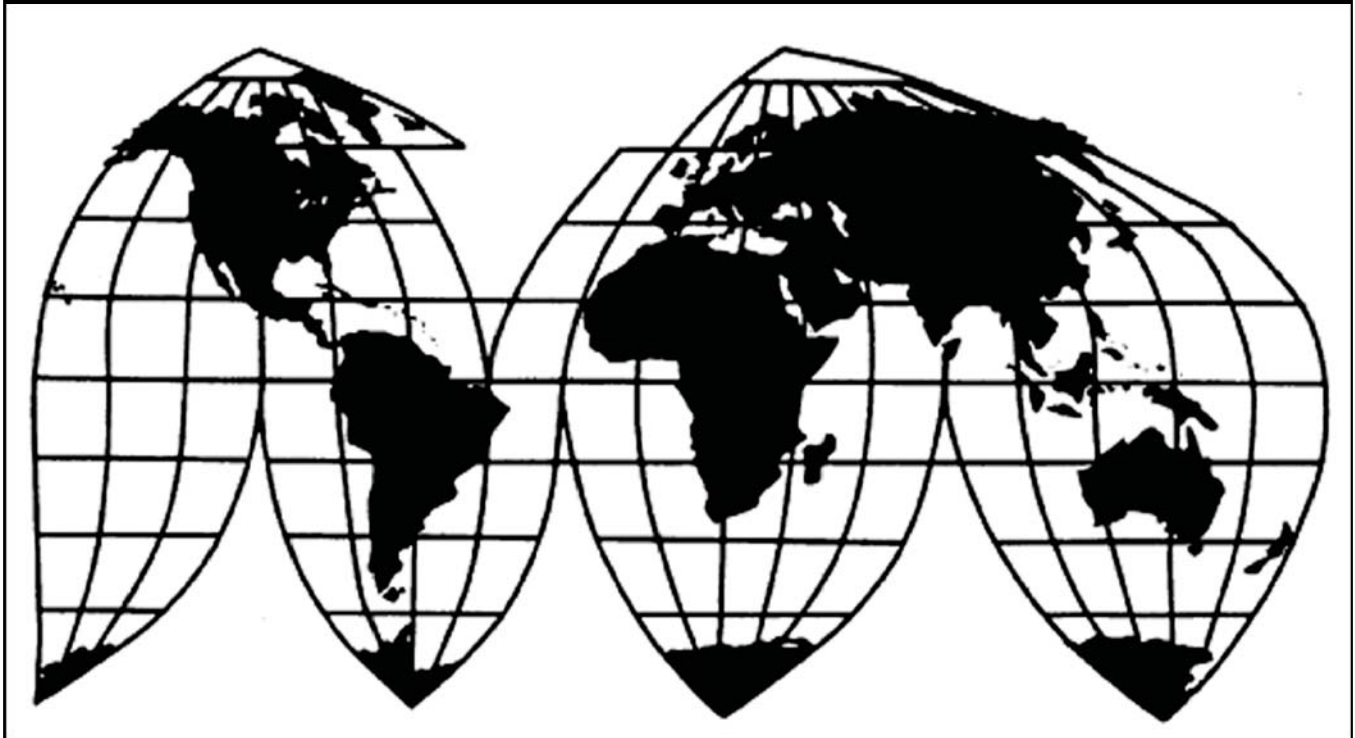
# Artists' Canvas from China

Investigation No. 731-TA-1091 (Second Review)

Publication 4674

March 2017

**U.S. International Trade Commission**



Washington, DC 20436

# U.S. International Trade Commission

## COMMISSIONERS

**Rhonda K. Schmittlein, Chairman**

**David S. Johanson, Vice Chairman**

**Irving A. Williamson**

**Meredith M. Broadbent**

**F. Scott Kieff**

---

Catherine DeFilippo  
*Director of Operations*

---

*Staff assigned*

Edward Petronzio, Investigator

Mitchell Semanik, Industry Analyst

Andrew Knipe, Economist

Patrick Gallagher, Attorney

Christopher Cassise, Supervisory Investigator

Address all communications to  
Secretary to the Commission  
United States International Trade Commission  
Washington, DC 20436

# U.S. International Trade Commission

Washington, DC 20436  
*www.usitc.gov*

## Artists' Canvas from China

Investigation No. 731-TA-1091 (Second Review)

**Publication 4674**



**March 2017**



## CONTENTS

	Page
<b>Information obtained in these reviews</b> .....	<b>I-1</b>
Background.....	I-1
Responses to the Commission’s notice of institution.....	I-2
Individual responses.....	I-2
Party comments on adequacy.....	I-2
Recent developments in the industry.....	I-3
The product.....	I-3
Commerce’s scope.....	I-3
Description and uses.....	I-4
Manufacturing process.....	I-5
U.S. tariff treatment.....	I-6
The definition of the domestic like product.....	I-6
The definition of the domestic industry.....	I-7
The original investigation and subsequent review.....	I-8
The original investigation.....	I-8
The first five-year review.....	I-8
Prior related investigations.....	I-9
Actions at Commerce.....	I-9
Scope rulings.....	I-9
Current review results.....	I-10
The industry in the United States.....	I-10
U.S. producers.....	I-10
U.S. producers’ trade and financial data.....	I-11
U.S. imports and apparent consumption.....	I-11
U.S. importers.....	I-11
U.S. imports.....	I-12
Apparent U.S. consumption and market shares.....	I-13

## CONTENTS

### Page

Prices and related information .....	I-15
The industry in China.....	I-25
Antidumping or countervailing duty orders in third-country markets.....	I-16
The global market .....	I-16
<b>Appendixes</b>	
A. <i>Federal Register</i> notices .....	A-1
B. Company-specific data .....	B-1
C. Summary data compiled in prior proceedings.....	C-1
D. Purchaser questionnaire responses .....	D-1

Note.—Information that would reveal confidential operations of individual concerns may not be published and therefore has been deleted. Such deletions are indicated by asterisks.

# UNITED STATES INTERNATIONAL TRADE COMMISSION

Investigation No. 731-TA-1091 (Second Review)

Artists' Canvas from China

## DETERMINATION

On the basis of the record<sup>1</sup> developed in the subject five-year review, the United States International Trade Commission (“Commission”) determines, pursuant to section 751(c) of the Tariff Act of 1930 (19 U.S.C. 1675(c)) (“the Act”), that revocation of the antidumping duty order on artists’ canvas from China would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.<sup>2</sup>

## BACKGROUND

The Commission, pursuant to section 751(c) of the Act, instituted this review on October 3, 2016 (81 FR 68049) and determined on January 6, 2017 that it would conduct an expedited review (82 FR 8208, January 24, 2017).

---

<sup>1</sup> The record is defined in sec. 207.2(f) of the Commission’s Rules of Practice and Procedure (19 CFR 207.2(f)).

<sup>2</sup> Commissioner Dean A. Pinkert did not participate.





## Views of the Commission

Based on the record in this five-year review, we determine under section 751(c) of the Tariff Act of 1930, as amended (“the Tariff Act”), that revocation of the antidumping duty order on artists’ canvas from China would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

### I. Background

*Original Investigation.* The original investigation resulted from a petition filed by Tara Materials, Inc. (“Tara”), a domestic producer of artists’ canvas, on April 1, 2005.<sup>1</sup> In May 2006, the Commission determined that an industry in the United States was being materially injured by reason of less than fair value (“LTFV”) imports of artists’ canvas from China.<sup>2</sup> The Department of Commerce (“Commerce”) subsequently issued an antidumping duty order with respect to artists’ canvas from China in June 2006.<sup>3</sup>

*First review.* In May 2011, the Commission instituted its first five-year review of the antidumping duty order.<sup>4</sup> It conducted an expedited review and determined that revocation of the antidumping duty order would be likely to lead to continuation or recurrence of material injury to the domestic industry within a reasonably foreseeable time.<sup>5</sup> Effective November 9, 2011, Commerce issued notice of continuation of the antidumping duty order on artists’ canvas from China.<sup>6</sup>

*Current Five-Year Review.* The Commission instituted this five-year review on October 3, 2016.<sup>7</sup> The Commission received a response to the notice of institution from Tara, the petitioner in the original investigation.<sup>8</sup> The Commission did not receive a response to the

---

<sup>1</sup> Confidential Report (“CR”) at I-11; Public Report (“PR”) at I-8.

<sup>2</sup> *Artists’ Canvas from China*, Inv. No. 731-TA-1091 (Final), USITC Pub. 3853 (May 2006) (“*Original Determination*”).

<sup>3</sup> 71 Fed. Reg. 31154 (June 1, 2006).

<sup>4</sup> 76 Fed. Reg. 24516 (May 2, 2011).

<sup>5</sup> *Artists’ Canvas from China*, Inv. No. 731-TA-1091 (Review), USITC Pub. 4273 (October 2011) (“*First Review*”).

<sup>6</sup> *Artist Canvas from the People’s Republic of China: Continuation of the Antidumping Duty Order*, 76 Fed. Reg. 69704 (Dep’t of Comm. Nov. 9, 2011).

<sup>7</sup> *Artists’ Canvas from China; Institution of a Five-Year Review*, 81 Fed. Reg. 68049 (Int’l Trade Comm’n Oct. 3, 2016).

<sup>8</sup> Tara filed its response with three “converters” of canvas to print canvas, BF Inkjet Digital, Inc. (“BF Inkjet”), IJ Technologies, Inc. (“IJ Technologies”), and Permalite, Inc. (“Permalite”). Response of Tara Materials, Inc., BF Inkjet Digital, Inc., IJ Technologies, Inc., and Permalite, Inc. (Nov. 2, 2016) (“Tara’s Response”). In the original investigation and first five-year review, the Commission found that “print converters” were not engaged in sufficient production-related activities to be deemed domestic producers of artists’ canvas. In the response to the notice of institution, BF Inkjet, IJ Technologies, and (Continued...)

notice of institution from any respondent interested party. The Commission found the domestic interested party group response to be adequate and the respondent interested party group response to be inadequate, and did not find any other circumstances that would warrant conducting a full review. It therefore determined on January 6, 2017, that it would conduct an expedited review pursuant to section 751(c)(3) of the Tariff Act.<sup>9</sup> On February 6, 2017, Tara filed comments with the Commission pursuant to 19 C.F.R. § 207.62(d).<sup>10</sup>

U.S. industry data are based on the information provided in the response to the notice of institution by Tara, which reportedly accounted for \*\*\* percent of domestic production of artists' canvas in 2015.<sup>11</sup> U.S. import data and related information are based on Commerce's official import statistics.<sup>12</sup> Foreign industry data and related information are based on Global Trade Atlas data.<sup>13</sup>

## II. Domestic Like Product and Industry

### A. Domestic Like Product

In making its determination under section 751(c) of the Tariff Act, the Commission defines the "domestic like product" and the "industry."<sup>14</sup> The Tariff Act defines "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."<sup>15</sup> The Commission's

---

(...Continued)

Permalite did not contend that they were interested parties pursuant to 19 U.S.C. § 1677(9), and they were not treated as such for purposes of the Commission's adequacy determination.

<sup>9</sup> *Artists' Canvas from China; Scheduling of an Expedited Five-Year Review*, 82 Fed. Reg. 8208 (Int'l Trade Comm'n Jan. 24, 2017).

<sup>10</sup> Domestic Industry's Comments Regarding the Commission's Determination in this Review (Feb. 6, 2017) ("Tara's Expedited Review Comments").

<sup>11</sup> CR/PR at Table I-1. Since the Commission's first five-year review, Duro Art ceased operations, and Tara reported that it is the sole remaining producer of stretched canvas in the United States. CR at I-3; PR at I-3. The coverage figure is based on Tara's estimation that its \*\*\*. CR/PR at Table I-1 n.1. Because the Commission did not include print converters in its definition of the domestic industry in the original investigation and expedited first five-year review, 2015 trade and financial data do not include data from the three print converters that joined in Tara's Response. CR at I-2 n.5; PR at I-2 n.5.

<sup>12</sup> CR at I-18 n.51; PR at I-12 n.51. After 2011 Commerce added additional HTSUS statistical reporting numbers to the scope definition. *Compare* CR at I-4, PR at I-3 – I-4, with 82 Fed. Reg. 8723 (Jan. 30, 2017). Because these additional HTSUS numbers include out-of-scope merchandise, U.S. import data are based on official Commerce statistics for the HTSUS subheadings used in the original investigation and expedited first five-year review. CR at I-18 n.51; PR at I-12 n.51.

<sup>13</sup> CR at I-22 – I-23; PR at I-15 – I-17. These data include products that are outside the scope of the review. *Id.*

<sup>14</sup> 19 U.S.C. § 1677(4)(A).

<sup>15</sup> 19 U.S.C. § 1677(10); *see, e.g., Cleo Inc. v. United States*, 501 F.3d 1291, 1299 (Fed. Cir. 2007); *NEC Corp. v. Department of Commerce*, 36 F. Supp. 2d 380, 383 (Ct. Int'l Trade 1998); *Nippon Steel Corp. v. United States*, 19 CIT 450, 455 (1995); *Timken Co. v. United States*, 913 F. Supp. 580, 584 (Ct. Int'l Trade 2013). (Continued...)

practice in five-year reviews is to examine the domestic like product definition from the original investigation and consider whether the record indicates any reason to revisit the prior findings.<sup>16</sup>

Commerce has defined the imported merchandise within the scope of the order under review as follows:

The products covered by the order are artist canvases regardless of dimension and/or size, whether assembled or unassembled, that have been primed/coated, whether or not made from cotton, whether or not archival, whether bleached or unbleached, and whether or not containing an ink receptive top coat. Priming/coating includes the application of a solution, designed to promote the adherence of artist materials, such as paint or ink, to the fabric. Artist canvases (*i.e.*, prestretched canvases, canvas panels, canvas pads, canvas rolls (including bulk rolls that have been primed), printable canvases, floor cloths, and placemats) are tightly woven prepared painting and/or printing surfaces. Artist canvas and stretcher strips (whether or not made of wood and whether or not assembled) included within a kit or set are covered by the order.

Artist canvases subject to the order are currently classifiable under subheadings 5901.90.20.00, 5901.90.40.00, 5903.90.2500, 5903.90.2000, 5903.90.1000, 5907.00.8090, 5907.00.8010, and 5907.00.6000 of the Harmonized Tariff Schedule of the United States (“HTSUS”). Specifically excluded from the scope of the order are tracing cloths, “paint-by-number” or “paint-it yourself” artist canvases with a copyrighted preprinted outline, pattern, or design, whether or not included in a painting set or kit. Also excluded are stretcher strips, whether or not made from wood, so long as they are not incorporated into artist canvases or sold as part of an artist canvas kit or set. While the HTSUS subheadings are provided for convenience and

---

(...Continued)

Trade 1996); *Torrington Co. v. United States*, 747 F. Supp. 744, 748-49 (Ct. Int’l Trade 1990), *aff’d*, 938 F.2d 1278 (Fed. Cir. 1991); *see also* S. Rep. No. 249, 96<sup>th</sup> Cong., 1<sup>st</sup> Sess. 90-91 (1979).

<sup>16</sup> *See, e.g., Internal Combustion Industrial Forklift Trucks from Japan*, Inv. No. 731-TA-377 (Second Review), USITC Pub. 3831 at 8-9 (Dec. 2005); *Crawfish Tail Meat from China*, Inv. No. 731-TA-752 (Review), USITC Pub. 3614 at 4 (July 2003); *Steel Concrete Reinforcing Bar from Turkey*, Inv. No. 731-TA-745 (Review), USITC Pub. 3577 at 4 (Feb. 2003).

customs purposes, our written description of the scope of the order is dispositive.<sup>17</sup>

Except for the addition of additional HTSUS references, the scope is unchanged from the original investigation. Artists' canvas is a surface for the graphic presentation of painted or printed images. It is made from woven fabric that is primed and coated ("gessoed") to accept paints or inks and is sold in a variety of shapes, sizes, textures, and formats. The raw canvas receives two to four coats of gesso depending upon the use of the final product. Once coated, the canvas may be sold in bulk rolls of various sizes or it may be converted into a finished canvas product. The most common forms of finished artists' canvas are "assembled," "splined," and "stretched" canvas. In these forms, the canvas is stretched around and affixed to wooden frames by a staple or tucked into a slot in the frame.<sup>18</sup>

In the original investigation, the Commission conducted analysis under both its traditional six factor test and a semifinished products analysis to determine whether unfinished bulk rolls of artists' canvas and finished artists' canvas products should be separate like products.<sup>19</sup> The Commission concluded that the products comprised a single like product, and thus defined a single domestic like product corresponding to the scope of Commerce's investigation.<sup>20</sup>

In the first five-year review, the Commission observed that there was no new information or argument suggesting a reason to depart from its prior definition of the domestic like product.<sup>21</sup> In addition, the domestic interested parties urged the Commission to retain the domestic like product definition from the original investigation.<sup>22</sup> The Commission therefore continued to define the domestic like product as artists' canvas, coextensive with Commerce's scope.<sup>23</sup>

Tara argues that no information has been developed or submitted in the current five-year review that would warrant changing the definition of the domestic like product from the original investigation and first five-year review.<sup>24</sup>

The record in this review indicates no material changes in pertinent product characteristics from the prior proceedings.<sup>25</sup> Additionally, no party argued that the Commission should adopt a different domestic like product definition. Consequently, for the reasons articulated in the original investigation and first review, we define the domestic like product as artists' canvas meeting the physical specifications of Commerce's scope definition.

---

<sup>17</sup> *Certain Artist Canvas from the People's Republic of China: Final Results of the Expedited Second Sunset Review of the Antidumping Duty Order*, 82 Fed. Reg. 8723 (Dep't of Comm. Jan. 30, 2017).

<sup>18</sup> CR at I-5 – I-7; PR at I-4 – I-5.

<sup>19</sup> *Original Determination*, USITC Pub. 3853 at 6-8.

<sup>20</sup> *Original Determination*, USITC Pub. 3853 at 8.

<sup>21</sup> *First Review*, USITC Pub. 4273 at 5.

<sup>22</sup> *First Review*, USITC Pub. 4273 at 5.

<sup>23</sup> *First Review*, USITC Pub. 4273 at 5.

<sup>24</sup> Tara's Expedited Review Comments at 4.

<sup>25</sup> See generally CR at I-5 – I-7; PR at I-4 – I-5.

## B. Domestic Industry

Section 771(4)(A) of the Tariff Act defines the relevant industry as the domestic “producers as a whole of a domestic like product, or those producers whose collective output of a domestic like product constitutes a major proportion of the total domestic production of the product.”<sup>26</sup> In defining the domestic industry, the Commission’s general practice has been to include in the industry producers of all domestic production of the like product, whether toll-produced, captively consumed, or sold in the domestic merchant market.

The domestic industry issue in this review concerns whether certain firms engage in sufficient production-related activities to be included in the industry.<sup>27</sup> In deciding whether a firm qualifies as a domestic producer of the domestic like product, the Commission generally analyzes the overall nature of a firm’s U.S. production-related activities, although production-related activity at minimum levels could be insufficient to constitute domestic production.<sup>28</sup>

In the original investigation, the Commission considered whether certain firms engaged in sufficient production-related activities to be considered domestic producers.<sup>29</sup> The Commission considered three types of firms according to their production-related activities: “coaters” produced bulk rolls of canvas; “non-print converters” produced finished canvas products such as stretched canvas, canvas panels, and canvas pads; and “print converters” produced canvas suitable for use with digital printers.<sup>30</sup> The Commission observed that all parties were in agreement that coaters engaged in sufficient production-related activity to be included in the domestic industry.<sup>31</sup> Accordingly, the Commission included producers of bulk rolls in the domestic industry.<sup>32</sup> The Commission next analyzed whether non-print converters and print converters engaged in sufficient production-related activity to merit inclusion in the domestic industry.<sup>33</sup> It found that non-print converters engaged in sufficient production-

---

<sup>26</sup> 19 U.S.C. § 1677(4)(A). The definitions in 19 U.S.C. § 1677 are applicable to the entire subtitle containing the antidumping and countervailing duty laws, including 19 U.S.C. §§ 1675 and 1675a. See 19 U.S.C. § 1677.

<sup>27</sup> There are no related parties issues in this review. Tara’s Response at 5.

<sup>28</sup> The Commission generally considers six factors: (1) source and extent of the firm’s capital investment; (2) technical expertise involved in U.S. production activities; (3) value added to the product in the United States; (4) employment levels; (5) quantity and type of parts sourced in the United States; and (6) any other costs and activities in the United States directly leading to production of the like product. No single factor is determinative and the Commission may consider any other factors it deems relevant in light of the specific facts of any investigation. *Crystalline Silica Photovoltaic Cells and Modules from China*, Inv. Nos. 701-TA-481 and 731-TA-1090 (Final), USITC Pub. 4360 at 12-13 (Nov. 2012).

<sup>29</sup> *Original Determination*, USITC Pub. 3853 at 8-14, 27-34, and 49-50.

<sup>30</sup> *Original Determination*, USITC Pub. 3853 at 10.

<sup>31</sup> *Original Determination*, USITC Pub. 3853 at 9, 14.

<sup>32</sup> *Original Determination*, USITC Pub. 3853 at 14, 34, and 50.

<sup>33</sup> *Original Determination*, USITC Pub. 3853 at 11-14.

related activity to be deemed domestic producers but that print converters were not engaged in sufficient production-related activity to be deemed domestic producers.<sup>34</sup> Accordingly, it defined the domestic industry as all U.S. producers of artists' canvas, *i.e.*, coaters and non-print converters, but not print converters.<sup>35</sup>

In the first review, the Commission received no new information or significant argument from the domestic parties concerning how it should define the domestic industry. Accordingly, following the reasoning from the original investigation, the Commission again did not include print converters in the definition of the domestic industry.<sup>36</sup>

The record in the current review indicates no material changes in the nature of print converters' operations.<sup>37</sup> Further, Tara contends that the Commission should define the domestic industry as it did in the original investigation and first five-year review to include domestic producers of bulk canvas and non-print converters.<sup>38</sup> Consequently, for the reasons articulated in the original investigation and first review, we again define the domestic industry to include all U.S. coaters and non-print converters of artists' canvas, but not print converters.

### **III. Revocation of the Antidumping Order Would Likely Lead to Continuation or Recurrence of Material Injury Within a Reasonably Foreseeable Time**

#### **A. Legal Standards**

In a five-year review conducted under section 751(c) of the Tariff Act, Commerce will revoke an antidumping or countervailing duty order unless: (1) it makes a determination that dumping or subsidization is likely to continue or recur and (2) the Commission makes a determination that revocation of the antidumping or countervailing duty order "would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time."<sup>39</sup>

---

<sup>34</sup> *Original Determination*, USITC Pub. 3853 at 12-14. The Commission plurality (Commissioners Okun, Lane, and Hillman) determined not to include print converters in the domestic industry. *Id.* It found that non-print converters engaged in sufficient production-related activities to be considered domestic producers because their activities required skilled employees and significant capital investment and added substantial value to the product. *Id.* at 11-12. By contrast, it found that print converters did not engage in significant production activities because the print conversion process added relatively modest value, employed far fewer people than non-print converters and constituted a small part of the overall operations of the firms involved. *Id.* at 13-14. For purposes of their affirmative determinations, Chairman Koplman and Commissioner Aranoff disagreed and included print converters in the definition of domestic industry. *Original Determination*, USITC Pub. 3853 at 27-34. In his dissenting views, Commissioner Pearson also included print converters in the domestic industry. *Original Determination*, USITC Pub. 3853 at 49-50.

<sup>35</sup> *Original Determination*, USITC Pub. 3853 at 14.

<sup>36</sup> *First Review*, USITC Pub. 4273 at 6-7.

<sup>37</sup> CR at I-9 – I-11; PR at I-7 – I-8.

<sup>38</sup> Tara's Expedited Review Comments at 4.

<sup>39</sup> 19 U.S.C. § 1675a(a).

The Uruguay Round Agreements Act Statement of Administrative Action (“SAA”) states that “under the likelihood standard, the Commission will engage in a counterfactual analysis; it must decide the likely impact in the reasonably foreseeable future of an important change in the status quo – the revocation or termination of a proceeding and the elimination of its restraining effects on volumes and prices of imports.”<sup>40</sup> Thus, the likelihood standard is prospective in nature.<sup>41</sup> The U.S. Court of International Trade has found that “likely,” as used in the five-year review provisions of the Act, means “probable,” and the Commission applies that standard in five-year reviews.<sup>42</sup>

The statute states that “the Commission shall consider that the effects of revocation or termination may not be imminent, but may manifest themselves only over a longer period of time.”<sup>43</sup> According to the SAA, a “‘reasonably foreseeable time’ will vary from case-to-case, but normally will exceed the ‘imminent’ timeframe applicable in a threat of injury analysis in original investigations.”<sup>44</sup>

Although the standard in a five-year review is not the same as the standard applied in an original investigation, it contains some of the same fundamental elements. The statute provides that the Commission is to “consider the likely volume, price effect, and impact of imports of the subject merchandise on the industry if the orders are revoked or the suspended

---

<sup>40</sup> SAA, H.R. Rep. 103-316, vol. I (1994) at 883-84. The SAA states that “[t]he likelihood of injury standard applies regardless of the nature of the Commission’s original determination (material injury, threat of material injury, or material retardation of an industry). Likewise, the standard applies to suspended investigations that were never completed.” *Id.* at 883.

<sup>41</sup> While the SAA states that “a separate determination regarding current material injury is not necessary,” it indicates that “the Commission may consider relevant factors such as current and likely continued depressed shipment levels and current and likely continued {sic} prices for the domestic like product in the U.S. market in making its determination of the likelihood of continuation or recurrence of material injury if the order is revoked.” SAA at 884.

<sup>42</sup> See *NMB Singapore Ltd. v. United States*, 288 F. Supp. 2d 1306, 1352 (Ct. Int’l Trade 2003) (“‘likely’ means probable within the context of 19 U.S.C. § 1675(c) and 19 U.S.C. § 1675a(a)”), *aff’d mem.*, 140 Fed. Appx. 268 (Fed. Cir. 2005); *Nippon Steel Corp. v. United States*, 26 CIT 1416, 1419 (2002) (same); *Usinor Industeel, S.A. v. United States*, 26 CIT 1402, 1404 nn.3, 6 (2002) (“more likely than not” standard is “consistent with the court’s opinion;” “the court has not interpreted ‘likely’ to imply any particular degree of ‘certainty’”); *Indorama Chemicals (Thailand) Ltd. v. United States*, 26 CIT 1059, 1070 (2002) (“standard is based on a likelihood of continuation or recurrence of injury, not a certainty”); *Usinor v. United States*, 26 CIT 767, 794 (2002) (“‘likely’ is tantamount to ‘probable,’ not merely ‘possible’”).

<sup>43</sup> 19 U.S.C. § 1675a(a)(5).

<sup>44</sup> SAA at 887. Among the factors that the Commission should consider in this regard are “the fungibility or differentiation within the product in question, the level of substitutability between the imported and domestic products, the channels of distribution used, the methods of contracting (such as spot sales or long-term contracts), and lead times for delivery of goods, as well as other factors that may only manifest themselves in the longer term, such as planned investment and the shifting of production facilities.” *Id.*

investigation is terminated.”<sup>45</sup> It directs the Commission to take into account its prior injury determination, whether any improvement in the state of the industry is related to the order or the suspension agreement under review, whether the industry is vulnerable to material injury if an order is revoked or a suspension agreement is terminated, and any findings by Commerce regarding duty absorption pursuant to 19 U.S.C. § 1675(a)(4).<sup>46</sup> The statute further provides that the presence or absence of any factor that the Commission is required to consider shall not necessarily give decisive guidance with respect to the Commission’s determination.<sup>47</sup>

In evaluating the likely volume of imports of subject merchandise if an order under review is revoked and/or a suspended investigation is terminated, the Commission is directed to consider whether the likely volume of imports would be significant either in absolute terms or relative to production or consumption in the United States.<sup>48</sup> In doing so, the Commission must consider “all relevant economic factors,” including four enumerated factors: (1) any likely increase in production capacity or existing unused production capacity in the exporting country; (2) existing inventories of the subject merchandise, or likely increases in inventories; (3) the existence of barriers to the importation of the subject merchandise into countries other than the United States; and (4) the potential for product shifting if production facilities in the foreign country, which can be used to produce the subject merchandise, are currently being used to produce other products.<sup>49</sup>

In evaluating the likely price effects of subject imports if an order under review is revoked and/or a suspended investigation is terminated, the Commission is directed to consider whether there is likely to be significant underselling by the subject imports as compared to the domestic like product and whether the subject imports are likely to enter the United States at prices that otherwise would have a significant depressing or suppressing effect on the price of the domestic like product.<sup>50</sup>

In evaluating the likely impact of imports of subject merchandise if an order under review is revoked and/or a suspended investigation is terminated, the Commission is directed to consider all relevant economic factors that are likely to have a bearing on the state of the industry in the United States, including but not limited to the following: (1) likely declines in output, sales, market share, profits, productivity, return on investments, and utilization of capacity; (2) likely negative effects on cash flow, inventories, employment, wages, growth,

---

<sup>45</sup> 19 U.S.C. § 1675a(a)(1).

<sup>46</sup> 19 U.S.C. § 1675a(a)(1). Commerce did not make any duty absorption findings. *Certain Artist Canvas from the People’s Republic of China: Final Results of the Expedited Second Sunset Review of the Antidumping Duty Order*, 82 Fed. Reg. 8723 and accompanying Issues and Decisions Memorandum at 4.

<sup>47</sup> 19 U.S.C. § 1675a(a)(5). Although the Commission must consider all factors, no one factor is necessarily dispositive. SAA at 886.

<sup>48</sup> 19 U.S.C. § 1675a(a)(2).

<sup>49</sup> 19 U.S.C. § 1675a(a)(2)(A-D).

<sup>50</sup> See 19 U.S.C. § 1675a(a)(3). The SAA states that “[c]onsistent with its practice in investigations, in considering the likely price effects of imports in the event of revocation and termination, the Commission may rely on circumstantial, as well as direct, evidence of the adverse effects of unfairly traded imports on domestic prices.” SAA at 886.



ability to raise capital, and investment; and (3) likely negative effects on the existing development and production efforts of the industry, including efforts to develop a derivative or more advanced version of the domestic like product.<sup>51</sup> All relevant economic factors are to be considered within the context of the business cycle and the conditions of competition that are distinctive to the industry. As instructed by the statute, we have considered the extent to which any improvement in the state of the domestic industry is related to the order under review and whether the industry is vulnerable to material injury upon revocation.<sup>52</sup>

No respondent interested party participated in this expedited review. The record, therefore, contains limited new information with respect to the artists' canvas industry in China. There also is limited information on the artists' canvas market in the United States during the period of review. Accordingly, for our determination, we rely as appropriate on the facts available from the original investigation and first review, and the limited new information on the record in this second five-year review.

## **B. Conditions of Competition and the Business Cycle**

In evaluating the likely impact of the subject imports on the domestic industry if an order is revoked, the statute directs the Commission to consider all relevant economic factors "within the context of the business cycle and conditions of competition that are distinctive to the affected industry."<sup>53</sup> The following conditions of competition inform our determinations.

### **1. The Original Investigation and Prior Five-Year Review**

In the original investigation, the Commission observed that demand for artists' canvas was ultimately driven by consumers who use the product for graphic presentation of painted or printed images. Demand for assembled or finished artists' canvas tended to be seasonal, peaking in the spring and summer months as retailers stocked up for back-to-school promotions. The Commission observed that responding domestic producers and all of the responding importers reported that demand had increased. This increase in demand was most commonly attributed to the rapid growth of the home décor market. The Commission found that apparent U.S. consumption increased between 2002 and 2005.<sup>54</sup>

The Commission also observed that the domestic industry was the largest supplier to the U.S. market but that its market share had declined during the period of investigation, while its production capacity had increased. The Commission further observed that Tara, the largest

---

<sup>51</sup> 19 U.S.C. § 1675a(a)(4).

<sup>52</sup> The SAA states that in assessing whether the domestic industry is vulnerable to injury if the order is revoked, the Commission "considers, in addition to imports, other factors that may be contributing to overall injury. While these factors, in some cases, may account for the injury to the domestic industry, they may also demonstrate that an industry is facing difficulties from a variety of sources and is vulnerable to dumped or subsidized imports." SAA at 885.

<sup>53</sup> 19 U.S.C. § 1675a(a)(4).

<sup>54</sup> *Original Determination*, USITC Pub. 3853 at 15-16.

domestic producer of artists' canvas, had moved a large portion of its U.S. production of assembled canvas during the period of investigation to its subsidiary in Mexico. The Commission found that nonsubject imports increased during the period of investigation and that Tara was responsible for almost all the imports of artists' canvas from Mexico, the largest source of nonsubject imports. The Commission also found that subject imports from China included finished artists' canvas, which was more labor intensive to produce than bulk canvas. Finally, the Commission found that subject imports and domestically produced artists' canvas were generally substitutable, observing that the majority of importers and purchasers reported that they were always or frequently interchangeable. The Commission also observed that 22 of 27 purchasers identified price as a very important factor in purchasing decisions.<sup>55</sup>

In the first review, the Commission found that the conditions of competition observed in the original investigation generally continued during the period of the first review. It observed that demand for artists' canvas increased from the time of the original investigation and that the record indicated that print canvas was a growing segment of the market. The Commission found that the domestic industry's market share continued to decline and was lower than during the original period of investigation. Additionally, although the market share held by subject imports had declined since the original investigation, they maintained a significant presence in the U.S. market in the period of review, notwithstanding the antidumping duty order. The Commission observed that, with the fall in subject import volume, the market share held by nonsubject imports increased since the original investigation. Vietnam, Mexico, and India were the most prominent sources of nonsubject imports.<sup>56</sup>

The Commission also found that the domestic industry was facing increasing raw material costs but that these increased costs could not easily be passed along because purchasers sought the lowest possible price for artists' canvas.<sup>57</sup>

## **2. The Current Review**

### **a) Demand Conditions**

Apparent U.S. consumption of artists' canvas was \*\*\* square meters in 2015, which was higher than the original investigation at \*\*\* square meters in 2005 and prior review at \*\*\* square meters in 2010.<sup>58</sup> According to Tara, as demand for artists' canvas has increased, there has been a shift in demand for artists' canvas from predominantly painting applications to predominantly photo canvas printing applications.<sup>59</sup>

---

<sup>55</sup> *Original Determination*, USITC Pub. 3853 at 16-17.

<sup>56</sup> *First Review*, USITC Pub. 4273 at 10-11. The Commission also observed that, because Commerce considered only artists' canvas primed or gessoed in China to have originated from China, reported imports from China that were not primed or gessoed in China would be nonsubject imports. *Id.* at 11.

<sup>57</sup> *First Review*, USITC Pub. 4273 at 11.

<sup>58</sup> CR/PR at Table I-5.

<sup>59</sup> Tara's Expedited Review Comments at 7; Tara's Response at 12.

## b) Supply Conditions

Tara reports that it became the sole remaining producer of stretched canvas (*i.e.*, painting canvas) in the United States once Duro Art ceased operations.<sup>60</sup> Tara further reports that Intelicoat Technologies, ICG Holliston, and General Formulations, formerly coaters of canvas to be used for printing, and Arkwright Advanced Coating, Inc., a print converter, ceased domestic production.<sup>61</sup> According to Tara, only it, Aurora Specialty Textiles Group, Inc., and Worthen Industries continue to produce print canvas in the United States.<sup>62</sup>

The domestic industry's share of apparent U.S. consumption was lower in the current review period than during the original investigation or first review. Measured by quantity, it was \*\*\* percent in 2015, compared to \*\*\* percent in 2005 and \*\*\* percent in 2010.<sup>63</sup> Subject imports continue to maintain a significant presence in the U.S. market. As measured by official statistics, the share of the market held by imports of artists' canvas from China was \*\*\* percent by quantity in 2015, compared to \*\*\* percent in 2005 and \*\*\* percent in 2010.<sup>64</sup>

Official import data may overstate subject merchandise because only artists' canvas primed or gessoed in China is considered to have originated in China. Therefore, artists' canvas finished in China but not gessoed or primed in China is not considered subject merchandise.<sup>65</sup> For this reason, Tara believes that a substantial portion of imports of artists' canvas from China is nonsubject merchandise.<sup>66</sup> It contends, however, that, because the sole reason for subject producers to use third-country canvas is to avoid antidumping duties, subject producers could readily replace canvas that was primed or gessoed in nonsubject countries with canvas that is primed or gessoed in China.<sup>67</sup>

The share of the market held by imports from nonsubject sources was lower in 2015 than during the first review, but higher than that in the original investigation. The nonsubject imports' share was \*\*\* percent by quantity in 2015, compared to \*\*\* percent in 2005 and \*\*\* percent in 2010.<sup>68</sup>

---

<sup>60</sup> CR at I-3 – I-4; PR at I-3; Tara's Response at 10; Tara's Expedited Review Comments at 7, 9.

<sup>61</sup> CR at I-3 – I-4; PR at I-3; Tara's Response at 10; Tara's Expedited Review Comments at 7, 9.

<sup>62</sup> Tara's Response at 10; Tara's Expedited Review Comments at 7, 9.

<sup>63</sup> CR/PR at Table I-5.

<sup>64</sup> CR/PR at Table I-5. We recognize that data from the original investigation may not be entirely comparable with the import data in the first and current reviews because import data in the original investigation were based on questionnaire responses and official statistics while import data in the first and current reviews were based solely on official statistics. *Compare Original Determination*, USITC Pub. 3853, CR/PR at IV-1 *with First Review*, USITC Pub. 4273, CR/PR at Table I-3 and CR at I-18 n.51; PR at I-12 n.51.

<sup>65</sup> *First Review*, USITC Pub. 4273 at 11; *Certain Artist Canvas from the People's Republic of China: Final Results of the Expedited Second Sunset Review of the Antidumping Duty Order*, 82 Fed. Reg. 8723 and accompanying Issues and Decisions Memorandum at Attachment 1.

<sup>66</sup> Tara's Response at 5-6; Tara's Expedited Review Comments at 8.

<sup>67</sup> Tara's Response at 6; Tara's Expedited Review Comments at 13.

<sup>68</sup> CR/PR at Table I-5.

### **c) Substitutability**

The information available indicates there have been no changes since the original determination and first review that would call into question the Commission's prior findings regarding the degree of substitutability between subject imports and the domestic like product and the importance of price in purchasing decisions. Consequently, we again find that imports of artists' canvas from China and the domestic like product are generally substitutable and that price continues to be of paramount importance in purchasing decisions.<sup>69</sup>

#### **C. Likely Volume of Subject Imports**

##### **1. The Original Investigation and Prior Five-Year Review**

In the original investigation, the Commission found that subject import volume increased steadily and sharply throughout the period of investigation and that subject imports' share of U.S. consumption also increased steadily and sharply, in quantity and value terms. The Commission indicated that the increase in subject imports' market share came at the expense of the domestic industry. In particular, the Commission observed that the domestic industry's market share by value showed a greater decline. It found that the steeper decline in value reflected the shift that the domestic industry had to make in response to the increasing presence of subject imports, which caused the domestic industry to move to selling more lower-value bulk canvas. As a result, the Commission found that the quantity of subject imports, while significant, understated the harmful impact of subject imports on U.S. producers. It also observed that the domestic industry's market share was displaced to a far lesser degree by nonsubject imports.<sup>70</sup>

In the first review, the Commission determined that subject import volume was likely to be significant, both in absolute terms and as a share of the U.S. market, if the order were to be revoked. It observed that, despite the antidumping duty order, imports of artists' canvas from China continued to enter the U.S. market in substantial quantities and increased substantially in 2010 relative to 2009, obtaining a market share in 2010 that was only somewhat below the peak during the original investigation, as the domestic industry's market share fell to levels below those in the original investigation. The Commission recognized that subject import volume was likely overstated due to imports of artists' canvas that only were finished in China and therefore not considered subject merchandise. Nevertheless, it found that the increase in the volume of imports from China reflected in the data was a strong indicator of continued interest in the U.S. market. The Commission found that the limited information in the record indicated that the artists' canvas industry in China had expanded since the original investigation and was heavily export oriented. Accordingly, based on the increasing presence of imports of artists' canvas from China in the U.S. market, the large size of the industry in China, its export orientation and its continued interest in the U.S. market, the Commission found that Chinese

---

<sup>69</sup> Tara's Expedited Review Comments at 13-14; Tara's Response at 9.

<sup>70</sup> *Original Determination*, USITC Pub. 3853 at 17-18.

producers would likely increase their exports to United States significantly if the order were to be revoked.<sup>71</sup>

## 2. The Current Review

Subject import volume is likely to be significant if the order is revoked. Despite the antidumping duty order, subject imports continue to enter the U.S. market in substantial quantities and have reached their highest levels during the current review period. Official import statistics indicate that the quantity of subject imports increased from 4.2 million square meters in 2011 to 16.0 million square meters in 2012 before decreasing to 6.4 million square meters in 2013 and 5.4 million square meters in 2014, and then increasing again to 10.1 million square meters in 2015.<sup>72</sup> As such, the level of imports of artists' canvas from China were more than five times higher at the end of the current review period than the last year of the prior review and more than four times higher than the last year of the original investigation.<sup>73</sup> The share of the U.S. market held by imports of artists' canvas from China in 2015 was substantially higher than in the original investigation or first review.<sup>74</sup> By quantity, imports of artists' canvas from China accounted for \*\*\* percent of the U.S. market in 2015 compared to \*\*\* percent in 2010 and \*\*\* percent in 2012.<sup>75</sup>

We recognize that the above data likely overstate subject import volume due to the inclusion of imports of artists' canvas primed or gessoed in third countries and finished in China, which are nonsubject merchandise. Nevertheless, we find that the increase in the volume of artists' canvas imported from China reflected in official import statistics data, which are the data available that most closely reflect subject import volumes, is a strong indicator of continued Chinese interest in the U.S. market.

The limited available information regarding Chinese producers indicates that the artists' canvas industry in China has continued to expand from the original investigation and first review. In the original investigation, five firms were identified as producers or exporters of subject merchandise, and four provided information to the Commission.<sup>76</sup> The record indicated that subject producers in China had a capacity of \*\*\* million square meters.<sup>77</sup> In the first review, the record indicated that the artists' canvas industry had expanded to 12 subject producers.<sup>78</sup> In the current review, Tara identified 15 firms in China believed to export artists' canvas currently or believed to have exported artists' canvas since 2011.<sup>79</sup> As discussed above, imports of artists' canvas from China increased to 10.1 million square meters in 2015, which

---

<sup>71</sup> *First Review*, USITC Pub. 4273 at 12-13.

<sup>72</sup> CR/PR at Table I-4.

<sup>73</sup> CR/PR at Table I-5.

<sup>74</sup> CR/PR at Table I-5.

<sup>75</sup> CR/PR at Table I-5.

<sup>76</sup> CR at I-21; PR at I-15.

<sup>77</sup> CR at I-21; PR at I-15.

<sup>78</sup> *First Review*, USITC Pub. 4273 at 13.

<sup>79</sup> CR/PR at Table I-4.

were more than five times higher than the last year of the prior review and more than four times higher than the last year of the original investigation and far exceeding increases in apparent consumption, indicating that subject producers have sufficient capacity to increase export shipments to the United States substantially both on an absolute basis and relative to apparent consumption.<sup>80</sup>

The available data also indicate that the artists' canvas industry in China continues to be heavily export oriented, with a particular focus on the United States. The Global Trade Atlas data available in this review indicate that, measured by value, China was the largest global exporter of artists' canvas, accounting for 77.3 percent of the value of global exports in 2015.<sup>81</sup> Moreover, the available Global Trade Atlas data indicate that, measured by value, the United States was the single largest export market for artists' canvas from China, accounting for 23.7 percent of the value of exports of artists' canvas from China in 2015.<sup>82</sup> In light of the available information, it is likely that the expanded Chinese industry's available capacity and production will continue to be directed to export markets and, in particular, the United States.

Based on the substantial presence of imports of artists' canvas from China in the U.S. market even under the discipline of the order, the large size of the industry in China, its export orientation, and its continued interest in and focus on the U.S. market, we find that subject producers would likely increase their exports to the United States if the antidumping duty order were to be revoked. Thus, we find that the likely volume of subject imports, both in absolute terms, and as a share of the U.S. market, would be significant if the order were to be revoked.<sup>83</sup>

#### **D. Likely Price Effects**

##### **1. The Original Investigation and Prior Five-Year Review**

In the original investigation, the Commission found that the domestic like product and subject imports were substitutable, price was an important factor in purchasing decisions, and the quality of subject imports was deemed comparable to that of the domestic like product. The Commission observed that subject imports undersold the domestic like product in 78 out of 83 quarterly comparisons, by margins ranging from 0.7 percent to 72.1 percent. Further observing that prices for five of the six products for which comparisons were available declined by varying degrees during the period of investigation, the Commission found that the data showed evidence of significant price depression by subject imports. In addition, the Commission found some evidence of price suppression in the record, noting that underselling prevented U.S. producers from raising their prices to cover increased material and production

---

<sup>80</sup> CR/PR at Table I-5.

<sup>81</sup> CR/PR at Table I-7. The Global Trade Atlas data available include nonsubject merchandise.

<sup>82</sup> CR/PR at Table I-6.

<sup>83</sup> The record does not indicate that there are any barriers to the importation of artists' canvas from China in third-country markets. CR at I-22; PR at I-16. We have no current information concerning inventories of subject merchandise held by importers or Chinese producers or about subject producers' potential for product shifting.

costs, resulting in a cost-price squeeze. Based on the significant and rising volume of subject imports, the general substitutability of the products, the importance of price in purchasing decisions, the consistent pattern of significant underselling by subject imports, generally declining U.S. prices, the cost-price squeeze that subject imports placed on the domestic industry, and confirmed lost sales allegations, the Commission concluded that subject imports had significant price effects on the U.S. industry.<sup>84</sup>

In the first review, the Commission observed that the degree of substitutability between subject imports and the domestic like product had not changed since the original investigation and that price remained important in purchasing decisions. The Commission found that, although there was no new product-specific pricing information on the record of the review, the limited data indicated that imports of artists' canvas from China remained lower priced than the domestic like product despite the antidumping duty order. These data, the Commission found, indicated that importers of subject merchandise would be able to undersell the domestic like product by significant margins if the order were to be revoked. Given the attractiveness of the U.S. market, it found that importers likely would intensify their underselling to gain market share as had occurred in the original investigation. In response, the domestic industry would be forced to lower prices or relinquish market share. Accordingly, the Commission determined that, if the order were to be revoked, the likely significant increase in subject import volume at prices that would undersell the domestic like product would likely have significant price effects on the domestic industry.<sup>85</sup>

## **2. The Current Review**

Due to the expedited nature of this review, the record contains limited new pricing data. Nevertheless, the record in this review indicates that the degree of substitutability between imports of artists' canvas from China and the domestic like product has not changed since the original investigation and first review, and price continues to be an important purchasing factor. As observed above, subject import volume from China would likely increase significantly upon revocation. Additionally, given the continued attractiveness of the U.S. market, subject producers would likely resume the behavior observed in the original investigation, exporting subject merchandise at low prices to gain additional market share. These subject imports would likely undersell domestically produced artists' canvas, as they did during the original investigations. Consequently, there would likely be significant underselling by subject imports from China.

Because of the degree of substitutability between the domestic like product and subject imports and because price continues to be an important factor in purchasing decisions, the likely significant volume of subject imports, which would undersell the domestic like product, would likely force the domestic industry either to lower prices or lose sales. In light of these

---

<sup>84</sup> *Original Determination*, USITC Pub. 3853 at 19-22.

<sup>85</sup> *First Review*, USITC Pub. 4273 at 14-15.

considerations, we conclude that subject imports would likely have significant depressing or suppressing effects on prices for the domestic like product upon revocation.

## **E. Likely Impact<sup>86</sup>**

### **1. The Original Investigation and Prior Five-Year Review**

In the original investigation, the Commission found that despite a steadily growing U.S. market for artists' canvas, the domestic industry's condition worsened over the period of investigation across a number of indicators, the most striking of which was the steep decline in market share in terms of quantity and value. The Commission also found that the increasing presence of finished product from China relegated domestic producers to selling more of the lower-value bulk canvas, and although the volume of the domestic industry's U.S. shipments increased, the value of those shipments declined, reflecting the shift from finished to bulk canvas. Further, as the U.S. market for artists' canvas grew over the original period of investigation, the Commission observed that the domestic industry increased its capacity and production for bulk canvas, but its capacity for production of finished product remained flat and its production of finished canvas declined.<sup>87</sup>

The Commission also found that the domestic industry's financial indicators worsened over the period of investigation. It attributed the domestic industry's declines in performance over the period of investigation in significant part to the rapid increase in subject import volume and market share, which had significant price effects. It found that subject producers had used their price advantage to gain a significant share of the U.S. market, allowing them to become the market leader in finished artists' canvas products. The Commission also found that Tara's decision to move production capacity to Mexico was due in part to competition with subject imports, rejecting respondents' arguments to the contrary. The Commission also indicated that the declines in U.S. finished product canvas production and shipments could not be attributed to nonsubject imports from Mexico because nonsubject imports' share of the U.S. finished canvas market declined during the period of investigation. The Commission determined that, despite market growth, the condition of the domestic industry declined as a result of consistent underselling and a significant gain in market share by subject imports, which led to significantly depressed U.S. prices and some evidence of price suppression. Accordingly, the Commission determined that subject imports had a significant impact on the domestic industry in the original investigation.<sup>88</sup>

---

<sup>86</sup> In its expedited review, Commerce determined that revocation of the antidumping duty order on artists' canvas from China would be likely to lead to the continuation or recurrence of dumping at weighted-average margins of up to 264.09 percent. *Certain Artist Canvas from the People's Republic of China: Final Results of the Expedited Second Sunset Review of the Antidumping Duty Order*, 82 Fed. Reg. at 8724.

<sup>87</sup> *Original Determination*, USITC Pub. 3853 at 22.

<sup>88</sup> *Original Determination*, USITC Pub. 3853 at 23-25.



In the first review, the Commission found that, because only information related to 2010 had been collected as part of the expedited review, it was unable to make a finding on whether the domestic industry was vulnerable to the continuation or recurrence of material injury if the order was revoked. It observed that the data showed that, compared to the original investigation, the domestic industry was smaller. It further observed that the domestic industry's capacity, production, capacity utilization rate, and U.S. shipments, and market share generally were lower than reported in the original investigation. The Commission also found that the domestic industry's operating income and operating margins both reflected poorer financial performance than in the original investigation, when the domestic industry was profitable. It observed that reduced sales coupled with rising raw material costs led to a higher cost of goods sold to net sales ratio, resulting in sizable operating loss for 2010.<sup>89</sup>

The Commission also considered the role of factors other than subject imports. Observing that nonsubject imports' market share was greater in 2010 than during the original period of investigation, the Commission determined that despite their increased presence nonsubject imports were not likely to sever the causal nexus between subject imports and their likely significant impact on the domestic industry if the order was revoked. It found that a significant portion of the increase in subject imports would continue to be at the expense of the domestic industry given the likelihood of subject import underselling and adverse price effects. The Commission also recognized that the United States was in a weak economic recovery in 2010, but it observed that apparent U.S. consumption of artists' canvas increased from 2005 to 2010, indicating that demand for artists' canvas did not deteriorate significantly in the economic downturn.<sup>90</sup>

Based on the record in the first review, the Commission found that the likely volume and price effects of the subject imports, if the order were to be revoked, would likely have a significant adverse impact on the production, shipments, sales, market share, and revenues of the domestic industry. It concluded that declines in these indicators of industry performance would have a direct impact on the domestic industry's profitability and employment, as well as its ability to raise capital, to make and maintain capital investments and to fund research and development. Accordingly, the Commission determined that, if the antidumping duty order were to be revoked, subject imports from China would likely have a significant adverse impact on the domestic industry and would be likely to lead to continuation or recurrence of material injury to the domestic industry within a reasonably foreseeable time.<sup>91</sup>

## **2. The Current Review**

Because of the expedited nature of this review, information on the record concerning the recent performance of the domestic industry is limited. This limited information is

---

<sup>89</sup> *First Review*, USITC Pub. 4273 at 16-17.

<sup>90</sup> *First Review*, USITC Pub. 4273 at 17.

<sup>91</sup> *First Review*, USITC Pub. 4273 at 17-18.

insufficient for us to make a finding as to whether the domestic industry is vulnerable to continuation or recurrence of material injury in the event of revocation of the order.

The data show that, compared to the original investigation and first review, the domestic industry continues to shrink. As explained in section III.B.2. above, several domestic producers have ceased operations since the first review. In 2015, the domestic industry's capacity was \*\*\* square meters and its production was \*\*\* square meters, both of which were lower than in the original investigation and first review, although the domestic industry's capacity utilization rate of \*\*\* percent was higher.<sup>92</sup> The domestic industry's U.S. shipments were also lower at \*\*\* square meters in this review than in the original investigation and first review.<sup>93</sup>

The domestic industry's market share was also lower than it was in the original investigation and first review. By quantity, its market share was \*\*\* percent in 2015, compared to \*\*\* percent in 2005 and \*\*\* percent in 2010.<sup>94</sup>

The data in this review show that, although the financial performance of the domestic industry has improved since the first review, it is worse than during the original investigation, when it was profitable. The domestic industry reported operating losses of \$\*\*\* in 2015, compared to the \$\*\*\* operating loss reported in 2010 and the \$\*\*\* operating income in 2005.<sup>95</sup> Its ratio of operating income to net sales, \*\*\* percent was higher in 2015 than the \*\*\* percent reported in 2010, but still lower than the \*\*\* percent reported in 2005.<sup>96</sup>

As previously discussed, revocation of the antidumping duty order on artists' canvas from China would be likely to lead to a significant volume of subject imports that would undersell the domestic like product and have significant price effects on the domestic industry. Consequently, given the substitutable nature of subject imports and the domestic like product, the likely significant volume of subject imports would place pricing pressure on domestic producers, forcing them to cut prices or cede market share to subject imports. This likely significant volume of subject imports and their price effects would negatively affect the domestic industry's market share, domestic production, capacity utilization, shipments, net sales values and quantities, employment levels, operating income, operating income margins, and capital investments.

---

<sup>92</sup> CR/PR at Table I-3. In 2010, the domestic industry's capacity was \*\*\* square meters and its production was \*\*\* square meters, resulting in a capacity utilization rate of \*\*\* percent. *Id.* In the original investigation, capacity and production for bulk and finished artists' canvas were reported separately. *Id.* at n.1. In 2005, the domestic industry's bulk artists canvas capacity was \*\*\* square meters and its finished artists' canvas capacity was \*\*\* square meters. Its production of bulk artists' canvas was \*\*\* square meters and its production of finished artists' canvas was \*\*\* square meters that year. That year, its capacity utilization rate was \*\*\* percent and \*\*\* percent for bulk and finished artists' canvas, respectively. *Id.*

<sup>93</sup> CR/PR at Table I-3. In 2010, the domestic industry's U.S. shipments were \*\*\* square meters, and in 2005, they were \*\*\* square meters. *Id.*

<sup>94</sup> CR/PR at Table I-5.

<sup>95</sup> CR/PR at Table I-3.

<sup>96</sup> CR/PR at Table I-3.

We have also considered the role of factors other than subject imports, including the presence of nonsubject imports, so as not to attribute injury from other factors to the subject imports. We observe that, although nonsubject imports of artists' canvas have generally increased in volume during the current period of review,<sup>97</sup> nonsubject imports, along with U.S. producers, lost market share to imports of artists' canvas from China between 2010 and 2015.<sup>98</sup> If the antidumping duty order in artists' canvas from China is revoked, the likely significant increase in volume of subject imports likely will continue to take market share from both the domestic like product and nonsubject imports. In addition, we observe that, with the exception of 2014, the average unit value of nonsubject imports was higher than that of imports of artists' canvas from China.<sup>99</sup> We consequently have not attributed to the subject imports any likely injury caused by other factors.

Accordingly, we conclude that, if the antidumping duty order on artists' canvas from China were to be revoked, subject imports would likely have a significant impact on domestic producers of artists' canvas within a reasonably foreseeable time.

#### **IV. Conclusion**

For the above reasons, we determine that revocation of the antidumping duty order on artists' canvas from China would likely lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.

---

<sup>97</sup> CR/PR at Table I-4.

<sup>98</sup> CR/PR at Table I-5. In 2010, by quantity, imports of artists' canvas from China accounted for \*\*\* percent of the U.S. market, while the domestic like product and nonsubject imports accounted for \*\*\* percent and \*\*\* percent, respectively. *Id.* In 2015, the market share of imports of artists' canvas from China was higher at \*\*\* percent, while the market shares of both the domestic like product and nonsubject imports were lower at \*\*\* percent and \*\*\* percent, respectively. *Id.*

<sup>99</sup> CR/PR at Table I-4.



## INFORMATION OBTAINED IN THESE REVIEWS

### BACKGROUND

On October 3, 2016, the U.S. International Trade Commission (“Commission”) gave notice, pursuant to section 751(c) of the Tariff Act of 1930, as amended (“the Act”),<sup>1</sup> that it had instituted a review to determine whether revocation of the antidumping duty order on artists’ canvas from China would likely lead to the continuation or recurrence of material injury to a domestic industry.<sup>2</sup> All interested parties were requested to respond to this notice by submitting certain information requested by the Commission.<sup>3 4</sup> The following tabulation presents information relating to the background and schedule of this proceeding:

Effective or statutory date	Action
October 3, 2016	Notice of initiation and institution by Commerce and Commission
January 6, 2017	Scheduled date for Commission vote on adequacy
January 31, 2017	Scheduled date for Commerce results of its expedited review
March 2, 2017	Commission statutory deadline to complete expedited review
September 28, 2017	Commission statutory deadline to complete full review

---

<sup>1</sup> 19 U.S.C. 1675(c).

<sup>2</sup> *Artists’ Canvas From China; Institution of a Five-Year Review*, 81 FR 68049, October 3, 2016. In accordance with section 751(c) of the Act, the U.S. Department of Commerce (“Commerce”) published a notice of initiation of a five-year review of the subject antidumping duty order concurrently with the Commission’s notice of institution. *Initiation of Five-Year (“Sunset”) Review*, 81 FR 67967, October 3, 2016. Pertinent *Federal Register* notices are referenced in app. A, and may be found at the Commission’s website ([www.usitc.gov](http://www.usitc.gov)).

<sup>3</sup> As part of their response to the notice of institution, interested parties were requested to provide company-specific information. That information is presented in app. B. Summary data compiled in prior proceedings is presented in app. C.

<sup>4</sup> Interested parties were also requested to provide a list of three to five leading purchasers in the U.S. market for the subject merchandise. Presented in app. D are the responses received from purchaser surveys transmitted to the purchasers identified in the adequacy phase of this review.

## RESPONSES TO THE COMMISSION’S NOTICE OF INSTITUTION

### Individual responses

The Commission received one submission in response to its notice of institution in the subject review. It was filed on behalf of Tara Materials, Inc. (“Tara”), BF Inkjet Digital Inc. (“BF Inkjet”), IJ Technologies, Inc. (“IJ Technologies”) and Permalite Inc. (“Permalite”), collectively referred to herein as “domestic interested parties.”<sup>5</sup> The Commission received no responses to its notice of institution from respondent interested parties.

A complete response to the Commission’s notice of institution requires that the responding interested party submit to the Commission all the information listed in the notice. Responding firms are given an opportunity to remedy and explain any deficiencies in their responses. A summary of the number of responses and estimates of coverage for each is shown in table I-1.

**Table I-1**  
**Artists’ canvas: Summary of responses to the Commission’s notice of institution**

Type of interested party	Completed responses	
	Number	Coverage <sup>1</sup>
Domestic:		
U.S. producer	1	***%
Respondent:		
U.S. importer	0	0%
Foreign producer/exporter	0	0%

<sup>1</sup> The coverage figure is based on the domestic interested parties’ estimation that “\*\*\*.” Given the fact that Duro ceased operations, the domestic interested parties noted that Tara is the “sole remaining producer of canvas for painting and believes it is the largest single producer of print canvas.” Email from \*\*\*, November 23, 2016. The Commission stated that, “the record indicates that these two producers {Tara and Duro} constitute the great majority of domestic production, accounting for \*\*\* percent of domestic production in 2005.” *Artists’ Canvas from China, Inv. No. 731-TA-1091 (Review)*, October 2011, Views of the Commission, p. 8.

### Party comments on adequacy

The Commission received one submission from the domestic interested parties commenting on the adequacy of responses to the notice of institution and whether the Commission should conduct expedited or full reviews. In its submission, the domestic interested parties stated that “the substantive responses of the domestic industry, coupled

---

<sup>5</sup> The domestic interested parties are represented by Thompson & Associates, PLLC. Only one of the four firms, Tara, has been found by the Commission to be part of the domestic industry in the original investigation and expedited first five-year review. The other three firms, BF Inkjet, IJ Technologies, and Permalite, are “print converters,” which the Commission did not include in its definition of the domestic industry in the original investigation or the expedited first five-year review. For the purposes of this report, 2015 trade and financial data do not include print converters.

with the failure of respondent interested parties to respond at all, establish that the Commission should conduct this review on an expedited basis.”<sup>6</sup>

## RECENT DEVELOPMENTS IN THE INDUSTRY

Since the Commission’s last five-year review, the following developments have occurred in the artists’ canvas industry:

- 1) Duro Art, a U.S. producer of stretched canvas in the original and first review investigations, ceased operations leaving Tara the sole remaining producer of stretched canvas in the United States.<sup>7</sup>
- 2) U.S. demand has increased, as there has been a shift in the use of artists’ canvas from predominantly painting applications to predominantly photo canvas printing applications.<sup>8</sup>
- 3) Intelicoat Technologies, ICG Holliston and General Formulations, formerly coaters of canvas to be used for printing, and Arkwright Advanced Coating, Inc., a print converter, ceased domestic production.<sup>9</sup>

## THE PRODUCT

### Commerce’s scope

Commerce has defined the subject merchandise as:

*The products covered by this order are artist canvases regardless of dimension and/or size, whether assembled or unassembled, that have been primed/coated, whether or not made from cotton, whether or not archival, whether bleached or unbleached, and whether or not containing an ink receptive top coat. Priming/coating includes the application of a solution, designed to promote the adherence of artist materials, such as paint or ink, to the fabric. Artist canvases (i.e., pre- stretched canvases, canvas panels, canvas pads, canvas rolls (including bulk rolls that have been primed), printable canvases, floor cloths, and placemats) are tightly woven prepared painting and/or printing surfaces. Artist canvas and stretcher strips (whether or not made of wood and whether or not assembled) included within a kit or set are covered by this proceeding.*

---

<sup>6</sup> Domestic Interested Parties’ Comments on Adequacy of Responses to the Notice of Institution, p. 4.

<sup>7</sup> Domestic Interested Parties’ Response to the Notice of Institution, p. 10.

<sup>8</sup> Domestic Interested Parties’ Response to the Notice of Institution, p. 12.

<sup>9</sup> Domestic Interested Parties’ Response to the Notice of Institution, p. 10.

*Artist canvases subject to this order are currently classifiable under subheadings 5901.90.20.00 and 5901.90.40.00 of the Harmonized Tariff Schedule of the United States (“HTSUS”). Specifically excluded from the scope of this order are tracing cloths, “paint by number” or “paint-it-yourself” artist canvases with a copyrighted preprinted outline, pattern, or design, whether or not included in a painting set or kit.<sup>10</sup> Also excluded are stretcher strips, whether or not made from wood, so long as they are not incorporated into artist canvases or sold as part of an artist canvas kit or set. While the HTSUS subheadings are provided for convenience and customs purposes, our written description of the scope of this proceeding is dispositive.*

*Additionally, we have determined that canvas woven and primed in India, but cut, stretched and framed in the PRC and exported from the PRC, are not subject to the order covering artist canvas from the PRC.<sup>11</sup>*

### **Description and uses<sup>12</sup>**

Artists’ canvas is used as a medium for the graphic expression of art, particularly involving paints, inks, or another graphic medium. Artists’ canvas is made of a canvas fabric that, once coated with a specific chemical product, known as gesso or primer, will allow paint to be placed upon it without penetrating the original fabric. The coating provides the artist with the surface upon which to produce a graphic presentation, while the canvas provides the material which best supports the coated surface. The range of woven materials that may be used to produce artists’ canvas include cotton, linen, muslin, jute, and polyester. Raw uncoated canvas may be used in a variety of applications, such as in sails for sailboats, tents, awnings, book covers, and in various industrial products; but once primed, it is used exclusively for artists’ canvas.<sup>13</sup>

Artists’ canvas can be sold in a variety of physical formats. The most common format is stretched (or assembled) canvas, in which coated canvas is wrapped around (and attached to) wooden frames. Stretched canvas is produced and sold in a variety of shapes and sizes. Artists’ canvas may also be sold in bulk rolls, which are often used by converters - or by artists

---

<sup>10</sup> Artist canvases with a non-copyrighted preprinted outline, pattern, or design are included in the scope, whether or not included in a painting set or kit.

<sup>11</sup> *Artist Canvas From the People's Republic of China: Continuation of the Antidumping Duty Order*, 76 FR 69704, November 9, 2011.

<sup>12</sup> Unless indicated otherwise, the discussion in this section is based on information contained in *Artists’ Canvas from China, Inv. No. 731-TA-1091 (Review)*, USITC Publication 4273, October 2011.

<sup>13</sup> *Artists’ Canvas from China, Inv. No. 731-TA-1091 (Review)*, USITC Publication 4273, October 2011, p. 1-7.



themselves - to produce stretched canvas products. Other common formats of artists' canvas include panels and archival boards, in which canvas pieces are glued to either a chipboard or hard board surface; print canvas, in which artists' canvas is treated with an additional ink receptive coating for use in inkjet printers; and canvas pads, in which loose artists' canvas sheets are bound together. Less common formats of artists' canvas include floor cloths, or heavy-weight canvas coated on one side and used as decorative floor covering, and placemats, in which artists' canvas is cut into oval or rectangular shapes and coated on both sides.<sup>14</sup>

### **Manufacturing process<sup>15</sup>**

The production process for artists' canvas proceeds as follows: raw canvas is purchased by a producer and coated (or primed) with a latex paint known as a gesso (or primer) that is mixed using various chemical compounds, based on the application for which it is intended. This paint-receptive coating provides the surface upon which art can be produced, and provides a barrier that prevents paint from penetrating into the woven fibers of the canvas. Raw canvas will receive two to four coats of gesso, depending upon the application of the final product. Coated canvas may be sold as-is, in bulk rolls, or it may be converted into a finished canvas product, the most common of which is stretched canvas.<sup>16</sup>

The production of stretched canvas begins with the production of "stretcher strips," around which canvas is stretched and fixed. Raw lumber is machine-ripped and fed into a chop saw that "defects" the wood and cuts it to the appropriate size, producing a "blank." Blanks are then fed into a moulder that creates a rounded edge over which canvas can be smoothly stretched. Once moulded, blanks are fed into tenoners that cut a 45-degree interlocking corner that allows blanks to be joined together. The resulting product is called a stretcher strip. Four stretcher strips are joined to form a frame, and a piece of cut canvas is stretched over the frame to produce a stretched canvas product. Stretched canvas is either stapled to the side or rear of the frame, or tucked into a groove in the frame to produce what is known as a "splined" canvas.<sup>17</sup>

Evidence submitted by petitioner in the preliminary phase of the Commission's original investigation suggests that the production process for artists' canvas employed by at least one major producer in China is broadly similar to the process described above.<sup>18</sup>

---

<sup>14</sup> *Artists' Canvas from China, Inv. No. 731-TA-1091 (Review)*, USITC Publication 4273, October 2011, p. I-7.

<sup>15</sup> Unless indicated otherwise, the discussion in this section is based on information contained in *Artists' Canvas from China, Inv. No. 731-TA-1091 (Review)*, USITC Publication 4273, October 2011.

<sup>16</sup> *Artists' Canvas from China, Inv. No. 731-TA-1091 (Review)*, USITC Publication 4273, October 2011, p. I-8.

<sup>17</sup> *Artists' Canvas from China, Inv. No. 731-TA-1091 (Review)*, USITC Publication 4273, October 2011, p. I-8.

<sup>18</sup> *Artists' Canvas from China, Inv. No. 731-TA-1091 (Review)*, USITC Publication 4273, October 2011, p. I-8.

## U.S. tariff treatment

Artists' canvas may be classifiable in Harmonized Tariff Schedule of the United States ("HTS") under subheadings 5901.90.20 and 5901.90.40.<sup>19</sup> In March 2016, Commerce identified the following additional HTS statistical reporting numbers as encompassing subject merchandise: 5903.90.10.00, 5903.90.20.00, 5903.90.25.00, 5907.00.60.00, 5907.00.80.10 and 5907.00.80.90, which apply to certain forms of print canvas.<sup>20 21</sup>

### The definition of the domestic like product

The domestic like product is defined as the domestically produced product or products, which are like, or in the absence of like, most similar in characteristics and uses with, the subject merchandise. In its original determination and its expedited first five-year review determination, the Commission found a single domestic like product that was co-extensive with Commerce's scope definition.<sup>22</sup>

In its notice of institution for this review, the Commission solicited comments from interested parties regarding the appropriate domestic like product. According to its response to the notice of institution, domestic interested parties agree with the Commission's definition of the domestic like product.<sup>23</sup>

---

<sup>19</sup> The applicable HTS subheadings include certain merchandise outside Commerce's scope. Merchandise under HTS subheading 5901.90.20 is dutiable at the general tariff rate of 7 percent ad valorem and merchandise under HTS subheading 5901.90.40 is dutiable at the general tariff rate of 4.1 percent ad valorem.

<sup>20</sup> The applicable HTS subheadings also include certain merchandise outside Commerce's scope. *Domestic Interested Parties' Response to the Notice of Institution*, p. 4. Merchandise under HTS subheading 5903.90.10 is dutiable at the general tariff rate of 2.7 percent ad valorem. HTS subheading 5903.90.25 is dutiable at the general tariff rate of 7.5 percent ad valorem. HTS subheadings 5903.90.20, 5907.00.60, and 5907.00.80 have a general tariff rate of "free."

<sup>21</sup> For the purposes of this report, U.S. import data are based on official Commerce statistics for HTS subheadings used in the original investigation and expedited first five-year review (i.e., 5901.90.20 and 5901.90.40).

<sup>22</sup> In the original investigation, the Commission addressed a domestic like product issue under its traditional six-factor test and, alternatively, under its semi-finished product analysis to determine whether unfinished bulk rolls of artists' canvas and finished artists' canvas products should be separate like products. The Commission concluded that a single like product definition corresponding to the scope of Commerce's investigation was appropriate. *Artists' Canvas from China, Inv. No. 731-TA-1091 (Final)*, USITC Publication 3853, May 2006, p. 5. In the expedited first five-year review, the Commission stated there was no new information or argument suggesting a reason to depart from its prior definition of the domestic like product. *Artists' Canvas from China, Inv. No. 731-TA-1091 (Review)*, USITC Publication 4273, October 2011, p. 5.

<sup>23</sup> Email from \*\*\*, November 18, 2016.

## The definition of the domestic industry

The domestic industry is defined as the U.S. producers as a whole of the domestic like product, or those producers whose collective output of the domestic like product constitutes a major proportion of the total domestic production of the product.

In the original investigation, the Commission considered whether certain firms engaged in sufficient production-related activities to be considered domestic producers. In making this determination, the Commission analyzed the overall nature of each firm's production-related activities in the United States. The Commission considered three types of firms according to their production-related activities. The “coaters” produced bulk rolls of canvas, the “non-print converters” produced finished canvas products such as stretched canvas, canvas panels, and canvas pads, and “print converters” produced canvas suitable for use with digital printers.<sup>24</sup> Each Commissioner found that producers of bulk rolls and the non-print converters engaged in sufficient production-related activity to merit inclusion in the domestic industry.<sup>25</sup> However, a majority of the Commissioners making an affirmative determination found that print converters were not engaged in sufficient production-related activity to be deemed domestic producers.<sup>26</sup> Accordingly, the Commission defined the domestic industry as producers of bulk canvas and non-print converters.<sup>27</sup>

In the expedited first five-year review, the Commission received no new information or significant argument from the domestic interested parties concerning how it should define the domestic industry.<sup>28</sup> Thus, following the reasoning from the original investigation, the Commission did not include print converters in the definition of the domestic industry and treated only Tara and Duro Art as domestic producers. There were no related party exclusions.<sup>29</sup>

---

<sup>24</sup> Print converters coated the canvas with an additional ink receptive coating for use in inkjet printers, but they were not engaged in stretching and other activities to produce assembled canvas products suitable for use by end-user artists. *Artists' Canvas from China, Inv. No. 731-TA-1091 (Final)*, USITC Publication 3853, May 2006, p. 12.

<sup>25</sup> *Artists' Canvas from China, Inv. No. 731-TA-1091 (Final)*, USITC Publication 3853, May 2006, pp. 14, 24, and 50.

<sup>26</sup> *Artists' Canvas from China, Inv. No. 731-TA-1091 (Final)*, USITC Publication 3853, May 2006, p. 12.

<sup>27</sup> These firms included Tara, Duro Art, Signature, Holliston Mills, Avondale Mills, and Masterpiece. No producer was considered for exclusion from the domestic industry as a related party. *Artists' Canvas from China, Inv. No. 731-TA-1091 (Final)*, USITC Publication 3853, May 2006, p. 14.

<sup>28</sup> The domestic interested parties asked that the Commission decline to include print converters in the definition of the domestic industry. *Artists' Canvas from China, Inv. No. 731-TA-1091 (Review)*, USITC Publication 4273, October 2011, p. 6 n. 26.

<sup>29</sup> The record in the expedited first five-year review indicated that Tara and Duro Art constituted the “great majority” of domestic production, accounting for \*\*\* percent of U.S. production in 2005. *Artists' Canvas from China, Inv. No. 731-TA-1091 (Review)*, USITC Publication 4273, October 2011, p. 7. Duro Art has ceased domestic production of artists' canvas. *Domestic Interested Parties' Response to the Notice of Institution*, p. 10.

In its notice of institution for this review, the Commission solicited comments from interested parties regarding the appropriate domestic industry. According to its response to the notice of institution, the domestic interested parties do not challenge the Commission's definition of the domestic industry.<sup>30</sup> There were no related parties identified by the domestic interested parties in its response to the Commission's notice of institution in the current review.<sup>31</sup>

## THE ORIGINAL INVESTIGATION AND SUBSEQUENT REVIEW

### The original investigation

The original investigation resulted from a petition filed on April 1, 2005, with Commerce and the Commission by Tara of Lawrenceville, Georgia.<sup>32</sup> On May 12, 2006, the Commission determined that an industry in the United States was being materially injured by reason of LTFV imports of artists' canvas from China and Commerce issued an antidumping duty order with respect to artists' canvas from China on June 1, 2006.<sup>33</sup>

### The first five-year review

On May 2, 2011, the Commission instituted the first five-year review of the order and on August 5, 2011, the Commission gave notice that it would conduct an expedited review.<sup>34</sup> On October 12, 2011, the Commission determined that revocation of the order on artists' canvas from China would be likely to lead to continuation or recurrence of material injury to an industry in the United States within a reasonably foreseeable time.<sup>35</sup> Effective November 9, 2011, Commerce issued a continuation of the antidumping duty order on imports of artists' canvas from China.<sup>36</sup>

---

<sup>30</sup> The domestic interested parties note that although the Commission previously determined that print converters, such as BF Inkjet, IJ Technologies and Permalite were not engaged in sufficient production-related activity to be deemed domestic producers, these three firms have entered appearances, and Permalite provided its production and financial data, in the event the Commission would consider their participation useful. *Domestic Interested Parties' Response to the Notice of Institution*, pp. 2-3.

<sup>31</sup> *Domestic Interested Parties' Response to the Notice of Institution*, p. 11.

<sup>32</sup> *Artists' Canvas from China, Inv. No. 731-TA-1091 (Final)*, USITC Publication 3853, May 2006, p. 3.

<sup>33</sup> *Artists' Canvas from China*, 71 FR 28706, May 17, 2006. *Notice of Antidumping Duty Order: Certain Artist Canvas from the People's Republic of China*, 71 FR 31154, June 1, 2006.

<sup>34</sup> *Artists' Canvas From China; Scheduling of an Expedited Five-Year Review Concerning the Antidumping Duty Order Investigation on Artists' Canvas From China*, 76 FR 54789, September 2, 2011.

<sup>35</sup> *Artists' Canvas from China*, 76 FR 67208, October 31, 2011.

<sup>36</sup> *Artist Canvas From the People's Republic of China: Continuation of the Antidumping Duty Order*, 76 FR 69704, November 9, 2011.

### Prior related investigations

Artists' canvas has not been the subject of any prior antidumping or countervailing duty investigations in the United States.

### ACTIONS AT COMMERCE

There have been no administrative or new shipper reviews conducted on artists' canvas from China since the issuance of the antidumping duty order. The results of Commerce's final determination and first five-year review are presented in table I-2.<sup>37</sup>

**Table I-2**  
**Artists' canvas: Commerce's dumping margins from original investigation and first five-year review**

Exporter	Producer	Weighted average dumping margin (percent)
Ningbo Conda	Jinhua Universal	264.09
	Wuxi Silver Eagle Cultural Goods	264.09
Conda Painting	Wuxi Pegasus Cultural Goods	264.09
Jinhua Universal	Jinhua Universal	264.09
Phoenix Materials	Phoenix Materials	77.90
	Phoenix Stationary	77.90
	Shuyang Phoenix	77.90
Phoenix Stationary	Phoenix Materials	77.90
	Phoenix Stationary	77.90
	Shuyang Phoenix	77.90
Jiangsu By-products	Wuxi Yinying Stationery and Sports Products	77.90
	Su Yang Yinying Stationery and Sports Products	77.90
China-wide rate		264.09

Source: Commerce's final determination (71 FR 16116, March 30, 2006) and final results of its expedited first five-year review (76 FR 55351, September 7, 2011).

### Scope rulings

There have been seven scope rulings issued by Commerce regarding artists' canvas. A number of these scope rulings involve instances in which Commerce determined that artist canvas woven and/or primed in a third country and cut and framed in China were outside the scope of the antidumping duty order.<sup>38</sup>

---

<sup>37</sup> Commerce concluded that revocation of the antidumping duty order on artists' canvas from China would be likely to lead to continuation or recurrence of dumping at the same weighted-average margins as the original investigation. *Artists' Canvas from China, Inv. No. 731-TA-1091 (Review)*, USITC Publication 4273, October 2011, p. I-5.

<sup>38</sup> Commerce in its final determination in 2006 found that the country of origin for artists' canvas is where the canvas was primed, and it confirmed this position in a series of scope rulings beginning in  
(continued...)

## Current review results

Commerce notified the Commission that it had not received adequate responses from respondent interested parties to its notice of initiation of the current five-year review. Consequently, it intends to conduct an expedited review of the antidumping order and to issue its final determination by January 31, 2017.<sup>39</sup>

## THE INDUSTRY IN THE UNITED STATES

### U.S. producers

At the time of the original investigation, Tara was the largest producer of artists' canvas, with over \*\*\* percent of reported U.S. production of bulk canvas and \*\*\* percent of reported production of finished canvas in 2005. \*\*\* was the second largest producer of artists' canvas, accounting for \*\*\* percent of reported production of bulk canvas, and \*\*\* percent of reported production of finished canvas in 2005. The Commission also noted that Tara had moved a large portion of its U.S. production of assembled canvas during the period examined to its Mexican subsidiary, Decoracion Colonial (Decoracion).<sup>40</sup>

At the time of the expedited first five-year review, five firms (Tara, Arkwright, BF Inkjet, Duro Art, Intelicoat) provided the Commission with a response to its notice of institution.<sup>41</sup> Tara, the largest domestic producer, reported that it \*\*\* in the United States, but stated that it still produced the subject bulk artists' canvas and coated or primed artists' canvas at its Lawrenceville, Georgia plant.<sup>42</sup>

In the current reviews, four firms (Tara, BF Inkjet, IJ Technologies, and Permalite) provided the Commission with a response to its notice of institution. According to the domestic interested parties, Tara is sole domestic producer of canvas specifically intended for painting in the United States, while BF Inkjet, IJ Technologies and Permalite apply ink-receptive coating to canvas that was primed and coated by another entity, meaning they are "print converters" of coated canvas into print canvas.<sup>43</sup> The domestic interested parties stated that the two U.S.

---

(...continued)

2008. *Artists' Canvas from China, Inv. No. 731-TA-1091 (Review)*, USITC Publication 4273, October 2011, p. 11.

<sup>39</sup> Edward Yang, Director, Office VII, AD/CVD Operations, Enforcement and Compliance, Department of Commerce, International Trade Administration, letter to Catherine DeFilippo, November 15, 2016.

<sup>40</sup> *Artists' Canvas from China, Inv. No. 731-TA-1091 (Review)*, October 2011, p. 8.

<sup>41</sup> The domestic interested parties participating in the adequacy phase of expedited first five-year review indicated that there were as many as 14 possible producers of the domestic like product. *Artists' Canvas from China, Inv. No. 731-TA-1091 (Review)*, USITC Publication 4273, October 2011, p. I-10.

<sup>42</sup> \*\*\*. *Artists' Canvas from China, Inv. No. 731-TA-1091 (Review)*, INV-JJ-090, September 22, 2011, p. I-11-I-12.

<sup>43</sup> There are two other domestic firms besides Tara that engaged in canvas coating, Aurora Specialty Textiles Group, Inc. ("Aurora") and Worthen Industries ("Worthen"). According to the domestic interested parties, Aurora and Worthen are engaged in coating canvas destined for use as print canvas.

(continued...)

entities that previously both primed and stretched raw canvas, Duro Art and Masterpiece Artist Canvas, have ceased production activities in the United States.<sup>44</sup>

### **U.S. producers' trade and financial data**

The Commission asked domestic interested parties to provide trade and financial data in its response to the notice of institution in the current five-year review.<sup>45</sup> Table I-3 presents a compilation of these data.

**Table I-3**

**Artists' canvas: U.S. producers' (excluding print converters) trade and financial data, 2005, 2010, and 2015**

\* \* \* \* \*

### **U.S. IMPORTS AND APPARENT CONSUMPTION**

#### **U.S. importers**

Import data presented in the Commission's staff report in the original investigation were based on a combination of questionnaire data and official Commerce statistics. Twenty U.S. importers provided data in response to the Commission's questionnaires, with two firms (MacPherson's and Tara) accounting for the majority of both subject and nonsubject imports of artists' canvas in 2005.<sup>46</sup>

At the time of the expedited first five-year review, the domestic interested parties identified 11 firms believed to be importers of the subject artists' canvas from China.<sup>47</sup> In its response to the Commission's notice of institution in this review, the domestic interested parties listed 26 firms that it believes potentially imported artists' canvas from China during the period of review.<sup>48</sup>

---

(...continued)

The two other firms listed by the domestic interested parties in its response to the notice of institution, Kilborn, Inc. and Sunbelt Manufacturing, Co. , are categorized as "print converters." *Domestic Interested Parties' Response to the Notice of Institution*, p. 10.

<sup>44</sup> *Domestic Interested Parties' Response to the Notice of Institution*, pp. 2-3.

<sup>45</sup> Individual company trade and financial data are presented in app. B.

<sup>46</sup> *Artists' Canvas from China, Inv. No. 731-TA-1091 (Review)*, USITC Publication 4273, October 2011, p. I-12.

<sup>47</sup> *Artists' Canvas from China, Inv. No. 731-TA-1091 (Review)*, USITC Publication 4273, October 2011, p. I-12.

<sup>48</sup> *Domestic Interested Parties Response to the Notice of Institution*, p. 11.

## U.S. IMPORTS

In the original investigation, the Commission found that subject import volume, and the increase in that volume, were significant, both in absolute terms and relative to domestic consumption and production. Subject import volume rose from 202,000 square meters in 2002 to 2.29 million square meters in 2005, an increase overall of over 1,000 percent. Subject imports' share of U.S. consumption also increased steadily and sharply, in quantity and value terms. The Commission indicated that the increase in subject imports' share of apparent U.S. consumption came at the expense of the domestic industry.<sup>49</sup>

In the expedited first five-year review, the Commission found that the likely volume of subject imports, both in absolute terms and as a share of the U.S. market, would be significant if the order was revoked. The Commission based this determination on the increasing presence of imports of artists' canvas from China in the U.S. market; the large size of the industry in China; its export-orientation and its continued interest and focus on the United States market.<sup>50</sup>

Imports of artists' canvas are currently classified under HTS subheadings 5901.90.20 and 5901.90.40.<sup>51</sup> The quantity, value, and unit value of U.S. imports of artists' canvas from 2011 to 2015 are shown in table I-4.

---

<sup>49</sup> The Commission noted that the domestic industry's share of apparent consumption by value showed an even greater decline. The Commission found that the steeper decline in value reflected the shift domestic producers had to make in response to the increasing presence of subject imports from China; specifically, the domestic industry moved from selling higher value finished canvas to selling more of the lower value bulk canvas. As a result, the Commission found that the quantity of subject imports, while significant, understated the harmful impact of subject imports on U.S. producers. The Commission also observed that the domestic industry's share of U.S. consumption was displaced to a far lesser degree by nonsubject imports. *Artists' Canvas from China, Inv. No. 731-TA-1091 (Final)*, USITC Publication 3853, May 2006, p. 12.

<sup>50</sup> *Artists' Canvas from China, Inv. No. 731-TA-1091 (Review)*, USITC Publication 4273, October 2011, p. 13.

<sup>51</sup> In March 2016, Commerce added the following HTS statistical reporting numbers as potentially including subject merchandise: 5903.90.10.00, 5903.90.20.00, 5903.90.25.00, 5907.00.60.00, 5907.00.80.10 and 5907.00.80.90, which apply to certain forms of print canvas as well as other coated textiles outside the scope of this review. For the purposes of this report, U.S. import data are based on official Commerce statistics for HTS subheadings used in the original investigation and expedited first five-year review (i.e., 5901.90.20 and 5901.90.40). *Domestic Interested Parties Response to the Notice of Institution*, Attachment D.



**Table I-4**  
**Artists' canvas: U.S. imports, 2011-15**

Item	2011	2012	2013	2014	2015
	<b>Quantity (1,000 square meters)</b>				
China	4,150	15,999	6,363	5,445	10,126
All other	3,423	4,204	4,254	5,863	5,992
Total imports	7,572	20,203	10,618	11,308	16,118
	<b>Value (\$1,000)</b>				
China	26,572	30,089	34,678	58,293	62,527
All other	25,256	28,205	27,708	43,567	44,206
Total imports	51,828	58,294	62,386	101,861	106,733
	<b>Unit value (dollars per square meter)</b>				
China	6.40	1.88	5.45	10.71	6.18
All other	7.38	6.71	6.51	7.43	7.38
Total imports	6.84	2.89	5.88	9.01	6.62

Note.--Because of rounding, figure may not add to total shown.

Source: Official statistics of Commerce.

### **Apparent U.S. consumption and market shares**

Table I-5 presents data on U.S. producers' U.S. shipments, U.S. imports, apparent U.S. consumption, and U.S. market shares of U.S. apparent consumption.

**Table I-5**

**Artists' canvas: U.S. producers' (excluding print converters) U.S. shipments, U.S. shipments of imports, apparent U.S. consumption, and U.S. market shares, 2005, 2010, and 2015**

Item	2005	2010	2015
	<b>Quantity (1,000 square meters)</b>		
U.S. producers' U.S. shipments:	***	***	***
U.S. imports from:			
China	2,286	1,918	10,126
All other	1,524	4,098	5,992
Total imports	3,810	6,016	16,118
Apparent U.S. consumption	***	***	***
	<b>Value (\$1,000)</b>		
U.S. producers' U.S. shipments	***	***	***
U.S. imports from:			
China	15,079	14,292	62,527
All other	11,766	26,713	44,206
Total imports	26,845	41,005	106,733
Apparent U.S. consumption	***	***	***
	<b>Share of quantity (percent)</b>		
U.S. producers' U.S. shipments:	***	***	***
U.S. imports from:			
China	***	***	***
All other	***	***	***
Total imports	***	***	***
	<b>Share of value (percent)</b>		
U.S. producers' U.S. shipments	***	***	***
U.S. imports from:			
China	***	***	***
All other	***	***	***
Total imports	***	***	***

Source: Table C-4 for 2005 data (INV-DD-047, April 13, 2006); Supplemental Table 1 for 2010 data (INV-JJ-099, October 7, 2011); official statistics of Commerce; and *Domestic Interested Parties Response to the Notice of Institution* for 2015 data (Attachment A).

## PRICES AND RELATED INFORMATION

In its responses to the notice of institution, the domestic interested parties stated that the only published sources of information on national or regional prices for artists' canvas are manufacturers' and sellers' catalogs and websites and that "in practice, prices are often negotiated between the customer and vendor, so listed prices may not be actual sale prices. To the best of the domestic parties' knowledge, there are no trade publications, government reports or other third-party sources of information regarding prices on a national or regional level."<sup>52</sup>

## THE INDUSTRY IN CHINA

During the original investigation, questionnaire responses were received from four firms in China: (1) Hangzhou Hail Electronic Equipment Co., Ltd. ("Hangzhou"); (2) Ningbo Conda Import & Export Co., Ltd. ("Ningbo Conda"); (3) Wuxi Phoenix Artist Material Co., Ltd. ("Wuxi"); and (4) Yiwu Kaibo Painting Materials Co., Ltd. ("Yiwu Kaibo"). Ningbo Conda was solely an exporter of subject merchandise; the remaining three firms both produced and exported artists' canvas at that time.<sup>53</sup> The record in the original investigation indicated that the Chinese industry producing finished artists' canvas had a capacity of \*\*\* million square meters and produced \*\*\* million square meters of artists' canvas. In 2005, \*\*\* percent of China's production of finished artists' canvas was exported.<sup>54</sup>

The domestic interested parties participating in expedited first five-year review identified 11 firms in their response to the Commission's notice of institution as Chinese producers and exporters of artists' canvas.<sup>55</sup> In its response to the Commission's notice of institution for this review, the domestic interested parties identified 15 Chinese firms believed to currently export, or have exported artists' canvas since 2011.<sup>56</sup>

Table I-6 presents Chinese export data for artists' canvas from 2011 to 2015. These data are compiled using the Global Trade Atlas, which provides data only to a 6-digit classification level (HS 5901.90) and therefore, includes products that are not within the scope of this review.

---

<sup>52</sup> *Domestic Interested Parties Response to the Notice of Institution*, p. 12.

<sup>53</sup> *Artists' Canvas from China, Inv. No. 731-TA-1091 (Final)*, USITC Publication 3853, May 2006, p. VII-2

<sup>54</sup> *Investigation No. 731-TA-1091 (Final): Artists' Canvas from China—Staff Report*, INV-DD-047, April 13, 2006, table VII-2.

<sup>55</sup> *Artists' Canvas from China, Inv. No. 731-TA-1091 (Review)*, USITC Publication 4273, October 2011, p. I-15.

<sup>56</sup> *Domestic Interested Parties' Response to the Notice of Institution*, p. 11.

**Table I-6**  
**Artists' Canvas: China exports, 2011-15**

Export market	Calendar year				
	2011	2012	2013	2014	2015
	<b>Value (\$1,000)</b>				
United States	30,577	38,138	44,118	67,810	63,975
Hong Kong	28,451	25,646	25,835	25,703	22,378
Vietnam	6,330	6,763	9,966	11,030	11,302
South Korea	13,582	11,438	13,207	13,216	11,261
India	14,357	11,743	12,865	14,756	10,932
All others	179,349	165,845	161,742	169,492	150,587
Total	272,645	259,572	267,732	302,007	270,437
	<b>Ratios and shares (percent)</b>				
United States	11.2	14.7	16.5	22.5	23.7
Hong Kong	10.4	9.9	9.6	8.5	8.3
Vietnam	2.3	2.6	3.7	3.7	4.2
South Korea	5.0	4.4	4.9	4.4	4.2
India	5.3	4.5	4.8	4.9	4.0
All others	65.8	63.9	60.4	56.1	55.7
Total	100.0	100.0	100.0	100.0	100.0

Source: Global Trade Atlas, HS 5901.90, accessed September 29, 2016.

#### **ANTIDUMPING OR COUNTERVAILING DUTY ORDERS IN THIRD-COUNTRY MARKETS**

Based on the available information, artists' canvas has not been subject to any other import relief investigations in third-country markets.

#### **THE GLOBAL MARKET**

Table I-7 presents global export data for artists' canvas from 2011 to 2015. These data are compiled using the Global Trade Atlas, which provides data only to a 6-digit classification level (HS 5901.90) and therefore, includes products that are not within the scope of this review.

**Table I-7**  
**Artists' canvas: Global exports, 2011-15**

Export market	Calendar year				
	2011	2012	2013	2014	2015
	<b>Value (\$1,000)</b>				
China	272,645	259,572	267,732	302,007	270,437
United States	16,046	15,379	12,765	13,081	13,269
Germany	22,795	19,338	17,553	12,700	8,568
Poland	4,798	4,356	5,977	9,750	7,002
Italy	10,509	8,954	8,498	8,964	7,659
All others	63,998	50,373	59,137	59,374	43,097
Total	390,791	357,972	371,661	405,876	350,032
	<b>Ratios and shares (percent)</b>				
China	69.8	72.5	72.0	74.4	77.3
United States	4.1	4.3	3.4	3.2	3.8
Germany	5.8	5.4	4.7	3.1	2.4
Poland	1.2	1.2	1.6	2.4	2.0
Italy	2.7	2.5	2.3	2.2	2.2
All others	16.4	14.1	15.9	14.6	12.3
Total	100.0	100.0	100.0	100.0	100.0

Source: Global Trade Atlas, HS 5901.90, accessed September 29, 2016



**APPENDIX A**

***FEDERAL REGISTER NOTICES***





The Commission makes available notices relevant to its investigations and reviews on its website, [www.usitc.gov](http://www.usitc.gov). In addition, the following tabulation presents, in chronological order, *Federal Register* notices issued by the Commission and Commerce during the current proceeding.

Citation	Title	Link
81 FR 68049, October 3, 2016	<i>Artists' Canvas From China; Institution of a Five-Year Review</i>	<a href="http://www.gpo.gov/fdsys/pkg/FR-2016-10-03/pdf/2016-23718.pdf">http://www.gpo.gov/fdsys/pkg/FR-2016-10-03/pdf/2016-23718.pdf</a>
81 FR 67967, October 3, 3016	<i>Initiation of Five-Year ("Sunset") Review</i>	<a href="https://www.gpo.gov/fdsys/pkg/FR-2016-10-03/pdf/2016-23828.pdf">https://www.gpo.gov/fdsys/pkg/FR-2016-10-03/pdf/2016-23828.pdf</a>



**APPENDIX B**  
**COMPANY-SPECIFIC DATA**



**RESPONSE CHECKLIST FOR U.S. PRODUCERS**

**\*\*\*\*\***



**APPENDIX C**

**SUMMARY DATA COMPILED IN PRIOR INVESTIGATIONS**





**Summary data tables are confidential in their entirety.**



**APPENDIX D**

**PURCHASER QUESTIONNAIRE RESPONSES**



As part of their response to the notice of institution, interested parties were asked to provide a list of three to five leading purchasers in the U.S. market for the domestic like product. A response was received from domestic interested parties and it named the following \*\*\* firms as the top purchasers of artists' canvas: \*\*\*. Purchaser questionnaires were sent to these \*\*\* firms and one firm (\*\*\*) provided a response. \*\*\*.

1. a.) Have any changes occurred in technology; production methods; or development efforts to produce artists' canvas that affected the availability of artists' canvas in the U.S. market or in the market for artists' canvas in China since 2011?

b.) Do you anticipate any changes in technology; production methods; or development efforts to produce artists' canvas that will affect the availability of artists' canvas in the U.S. market or in the market for artists' canvas in China within a reasonably foreseeable time?

Purchaser	Changes that have occurred	Anticipated changes
***	***	***

2. a.) Have any changes occurred in the ability to increase production of artists' canvas (including the shift of production facilities used for other products and the use, cost, or availability of major inputs into production) that affected the availability of artists' canvas in the U.S. market or in the market for artists' canvas in China since 2011?

b.) Do you anticipate any changes in the ability to increase production (including the shift of production facilities used for other products and the use, cost, or availability of major inputs into production) that will affect the availability of artists' canvas in the U.S. market or in the market for artists' canvas in China within a reasonably foreseeable time?

Purchaser	Changes that have occurred	Anticipated changes
***	***	***

3. a.) Have any changes occurred in factors related to the ability to shift supply of artists' canvas among different national markets (including barriers to importation in foreign markets or changes in market demand abroad) that affected the availability of artists' canvas in the U.S. market or in the market for artists' canvas in China since 2011?

b.) Do you anticipate any changes in factors related to the ability to shift supply among different national markets (including barriers to importation in foreign markets or changes in market demand abroad) that will affect the availability of artists' canvas in the U.S. market or in the market for artists' canvas in China within a reasonably foreseeable time?

Purchaser	Changes that have occurred	Anticipated changes
***	***	***

4. a.) Have there been any changes in the end uses and applications of artists' canvas in the U.S. market or in the market for artists' canvas in China since 2011?
- b.) Do you anticipate any changes in the end uses and applications of artists' canvas in the U.S. market or in the market for artists' canvas in China within a reasonably foreseeable time?

Purchaser	Changes that have occurred	Anticipated changes
***	***	***

5. a.) Have there been any changes in the existence and availability of substitute products for artists' canvas in the U.S. market or in the market for artists' canvas in China since 2011?
- b.) Do you anticipate any changes in the existence and availability of substitute products for artists' canvas in the U.S. market or in the market for artists' canvas in China within a reasonably foreseeable time?

Purchaser	Changes that have occurred	Anticipated changes
***	***	***

6. a.) Have there been any changes in the level of competition between artists' canvas produced in the United States, artists' canvas produced in China, and such merchandise from other countries in the U.S. market or in the market for artists' canvas in China since 2011?
- b.) Do you anticipate any changes in the level of competition between artists' canvas produced in the United States, artists' canvas produced in China, and such merchandise from other countries in the U.S. market or in the market for artists' canvas in China within a reasonably foreseeable time?

Purchaser	Changes that have occurred	Anticipated changes
***	***	***

7. a.) Have there been any changes in the business cycle for artists' canvas in the U.S. market or in the market for artists' canvas in China since 2011?
- b.) Do you anticipate any changes in the business cycle for artists' canvas in the U.S. market or in the market for artists' canvas in China within a reasonably foreseeable time?

Purchaser	Changes that have occurred	Anticipated changes
***	***	***

