

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC 20436

**MEMORANDUM ON PROPOSED TARIFF LEGISLATION
of the 108th Congress** ¹

[Date approved: April 7, 2004]²

Bill No. and sponsor: H.R. 3679 (Mr. Israel)

Proponent name, location:

Mr. Jeffrey C. Miritello
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Other bills on product (108th Congress only): None

Nature of bill: Permanent HTS amendment

Retroactive effect: None

Suggested article description(s) for enactment (including appropriate HTS subheading(s)):

Of one or more of the materials bamboo, rattan, willow, or wood:
4601.91.25 Rattan webbing
4601.91.30 Other

Check one: Same as that in bill as introduced
 Different from that in bill as introduced (explain differences in Technical comments section)

Product information, including uses/applications and source(s) of imports:

Rattan comes from various climbing palms which are generally indigenous to tropical and subtropical forests, particularly of Southeast Asia.³ The stems of rattan palms are rope-like, woody vines that range from 1/8 to 2 inches in diameter and that can grow to 600 feet in length.⁴ Many rattan palms

¹ Industry analyst preparing report: Fred Forstall (202-205-3443); Tariff Affairs contact: (202-205-).

² Access to an electronic copy of this memorandum is available at <http://www.usitc.gov/billrpts.htm> Access to a paper copy is available at the Commission's Law Library (202-205-3287) or at the Commission's Main Library (202-205-2630).

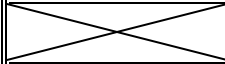
³ Indonesia is the major world supplier of rattan. "Rattan Facts," found at <http://www.inbar.int/rattan.htm> and retrieved on Feb. 10, 2004.

⁴ "About Rattan Furniture," found at <http://www.sevensesarattan.com/about-rattan.htm> and retrieved on Feb. 10, 2004.

are classified in the genus, *Calamus*,⁵ but there are over 700 known species classified in 13 different genera.⁶ Rattan stems are collected from the forest and typically cut into 10 to 20 foot lengths.⁷ The stems are boiled in oil and scoured with sand or sawdust to remove the natural gums and resins.⁸ Its inherent strength and flexibility make rattan particularly suitable for the manufacture of woven articles such as furniture, baskets, screens, and chair seats.⁹ Typically, the strong outer bark (a.k.a. cane) is split into flat strips and utilized for products requiring strength (e.g., chair backs and seats).¹⁰ The inner portion or core of the vine (a.k.a. reed)¹¹ is not as strong as the cane,¹² but as it is porous and takes stains well,¹³ the reed is particularly useful for decorative items (e.g., baskets).¹⁴ The whole stem may be utilized as the frame for wicker furniture.¹⁵ The United States does not produce unfinished rattan and no longer processes unfinished rattan.¹⁶

The product which is the subject of the proposed legislation is rattan webbing, rattan that has been woven into sheets which are imported as a raw material for furniture manufacture. Suppliers to the U.S. market include China, Hong Kong, India, Philippines, Thailand, and Indonesia.

Estimated effect on customs revenue:

HTS subheading: 4601.91.20					
	2004	2005	2006	2007	2008
Col. 1-General rate of duty (AVE) <u>1/</u>	1.1 percent	1.1 percent	1.1 percent	1.1 percent	1.1 percent
Estimated value <i>dutiable</i> imports	\$441,000	\$441,000	\$441,000	\$441,000	\$441,000
Customs revenue loss	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000

1/ The AVE is the ad valorem equivalent of a specific or compound duty rate expressed as a percent, using the most recent import data available.

Source of estimated dutiable import data: Commission estimates

⁵ “About Rattan Furniture,” found at <http://www.sevensesarrattan.com/about-rattan.htm> and retrieved on Feb. 10, 2004.

⁶ “Rattan Facts,” found at <http://www.inbar.int/rattan.htm> and retrieved on Feb. 10, 2004.

⁷ “About Rattan Furniture,” found at <http://www.sevensesarrattan.com/about-rattan.htm> and retrieved on Feb. 10, 2004.

⁸ “About Rattan Furniture,” found at <http://www.sevensesarrattan.com/about-rattan.htm> and retrieved on Feb. 10, 2004.

⁹ “Rattan Facts,” found at <http://www.inbar.int/rattan.htm> and retrieved on Feb. 10, 2004.

¹⁰ “The Wakefield Rattan Company,” found at <http://www.wakefieldma.org/rattan.html> and retrieved on Feb. 10, 2004.

¹¹ “About Rattan Furniture,” found at <http://www.sevensesarrattan.com/about-rattan.htm> and retrieved on Feb. 10, 2004.

¹² Telephone interview with Jeffery Miritello, Inter-Mares Trading Co., Feb. 10, 2004.

¹³ “The Wakefield Rattan Company,” found at <http://www.wakefieldma.org/rattan.html> and retrieved on Feb. 10, 2004.

¹⁴ Telephone interview with Jeffery Miritello, Inter-Mares Trading Co., Feb. 10, 2004.

¹⁵ “About Rattan Furniture,” found at <http://www.sevensesarrattan.com/about-rattan.htm> and retrieved on Feb. 10, 2004.

¹⁶ Telephone interview with Jeffery Miritello, Inter-Mares Trading Co., Feb. 10, 2004.

Contacts with domestic firms/organizations (including the proponent):

Name of firm/organization	Date contacted	US production of same or competitive product claimed?	Submission attached?	Opposition noted?
		(Yes/No)		
Inter-Mares Trading Co., Inc.	2/10/04 2/13/04	Importer of subject product	No	

Technical comments:¹⁷

According to U.S. Customs rulings,¹⁸ the 8-digit item number for rattan webbing in Chapter 46 of the HTS (4601.20.20) is inferior to a 6-digit subheading (4601.20) which does not include rattan webbing. A definition at the 8-digit level, no matter how broadly constituted, cannot widen the scope of a superior 6-digit definition. Therefore, U.S. Customs states that U.S. imports of rattan webbing are correctly classified in a subheading 4601.90.20, a basket category. As a result, imports of rattan webbing, if correctly classified, are not accorded the duty free treatment implicit in the existing 8-digit number. The purpose of this legislation is to correct this mistake. It does so by deleting the existing 8-digit number (4601.20.20) for rattan webbing, creating a new one at the appropriate level of indentation and position within the heading, and making a corresponding adjustment to the basket category (4601.90.20).¹⁹

The effect of this legislation on U.S. Customs revenue is expected to be negligible. There is no revenue impact for imports already classified (mis-classified) in HTS 4601.20.20. U.S. imports of rattan webbing now correctly classified in HTS 4601.90.20 would be accorded duty free treatment rather than the 6.6 percent duty presently applicable to HTS 4601.90.20. It is estimated that the impact of this shift would be approximately \$5,000 per year. The impact would be no larger than \$76,000 per year, which would be the expected revenue impact if all imports in the basket category were actually rattan webbing.

As this legislation corrects what is in essence a clerical error, it is recommended that this legislation be approved. One minor amendment to the descriptive language should be made, however. The description of HTS 4601.20.20 reads “rattan webbing.” The suggested description of the new number in the bill is “rattan cane webbing,” which is more restrictive and would preclude rattan webbing made from reed, that is the inner portion of the rattan. There is no apparent reason to make the description more restrictive than that which is already in the HTS, so it is recommended that the word, “cane,” be dropped from the description of the new HTS number.

¹⁷ The Commission may express an opinion on the HTS classification of a product to facilitate consideration of the bill. However, by law, only the U.S. Customs Service is authorized to issue a binding ruling on this matter. The Commission believes that the U.S. Customs Service should be consulted prior to enactment of the bill.

¹⁸ U.S. Customs ruling HQ 956134 found at <http://rulings.customs.gov/index.asp?ru=956134&qu=HQ+956134&vw=detail> and retrieved on Feb. 17, 2004.

¹⁹ For the record, it should be noted that in spite of the U.S. Customs ruling, there were approximately \$367,000 in imports of rattan webbing 4601.20.20 in 2003. Though implicitly mis-classified, some imports of rattan webbing are receiving duty free treatment.

4601.91.30	Other	6.6%	Free (A, CA, E, IL, J, MX) 1.6% (JO)	45%	..
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1 (b) STAGED RATE REDUCTIONS.—Any staged reduc-
2 tion of a rate of duty proclaimed by the President before
3 the date of the enactment of this Act, that—
4 (1) would take effect on or after such date of
5 enactment, and
6 (2) would, but for the amendment made by sub-
7 section (a), apply to subheading 4601.91.20 of the
8 Harmonized Tariff Schedule of the United States,
9 applies to the corresponding rate of duty set forth in sub-
10 heading 4601.91.30 of such Schedule (as added by sub-
11 section (a)).

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