

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: S. 1006 Mr. Burns et al.

Proponent name, location:

Mr. Alan J. Gnann
President
REC Components
72 Shaker Road
Enfield, Connecticut 06082
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Other bills on product (108th Congress only): H.R. 1833

Nature of bill: To reduce temporarily the duty on certain articles of natural cork, i.e., cork rings

Retroactive effect: None

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

9902.45.03 Natural cork rings provided for in subheading 4503.90.60

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:

Natural cork is obtained from the bark of cork oak (*Quercus suber* L.), a species of oak indigenous to the Mediterranean, particularly the Iberian Peninsula, where it grows in open woodlands on hills and lower slopes.³ With over 60 square kilometers of cork orchards, ⁴ Portugal alone accounts for

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 "Quercus suber (Cork Oak)," found at <http://www.museums.org.za/bio/plants/fagaceae/quercus-suber.htm> and retrieved of Feb. 10, 2004.

⁴ "Quercus suber (Cork Oak)," found at <http://www.museums.org.za/bio/plants/fagaceae/quercus-suber.htm> and retrieved of Feb. 10, 2004.

more than 50 percent of the world cork supply,⁵ and Spain accounts for another 26 percent.⁶ The outer bark of the cork oak is stripped every 9-10 years when it has become thick enough to provide cork for commercial use.⁷ High quality cork is typically used for stoppers for wine bottles, but lower grades are used to manufacture a wide range of other products including ceiling tiles, heat and electrical insulators, auto parts (e.g., gaskets), and shoe soles.⁸ Although cork oak may grow in certain states (e.g., Louisiana, Hawaii) as an exotic ornamental,⁹ there is no commercial production of natural cork in the United States.

This bill effects a net reduction in the general rate of duty for U.S. imports classified in HTS 4503.90.60, a basket classification described as articles of natural cork other than corks and stoppers; discs, wafers, and washers; or wallcoverings. A search of the U.S. Customs CROSS database revealed that included in this subheading were products such as cork socks or booms, cork disks for industrial applications, cork leg padding for kayaks, cork pictures, and cork sheets. In 2003, U.S. imports classified in this subheading totaled approximately \$354 thousand. The five major suppliers were Portugal, China, Taiwan, Spain, and France.

Estimated effect on customs revenue:

HTS subheading: 4503.90.60					
	2004	2005	2006	2007	2008
Col. 1-General rate of duty (AVE) <u>1/</u>	Net reduction from 13.92 to 5.96 percent	Net reduction from 13.92 to 5.96 percent	Net reduction from 13.92 to 5.96 percent	Net reduction from 13.92 to 5.96 percent	Net reduction from 13.92 to 5.96 percent
Estimated value <i>dutiable</i> imports	\$351,434	\$351,434	\$351,434	\$351,434	\$351,434
Customs revenue loss	\$28,116	\$28,116	\$28,116	\$28,116	\$28,116

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: Official U.S. Government statistics and Commission estimates.

⁵ "Production and exportation of cork," found at <http://www.corkmasters.com/index.pbp?article-89&layout-74&visual-1&view-statistic> and retrieved on Feb. 10, 2004.

⁶ "Production and exportation of cork," found at <http://www.corkmasters.com/index.pbp?article-89&layout-74&visual-1&view-statistic> and retrieved on Feb. 10, 2004.

⁷ "2000 Cork Harvest Best in Years," found at <http://www.corksupplyusa.com/pr21.htm> and retrieved on Feb. 10, 2004.

⁸ "2000 Cork Harvest Best in Years," found at <http://www.corksupplyusa.com/pr21.htm> and retrieved on Feb. 10, 2004.

⁹ "Plant Profile, *Quercus suber* L.," found at http://plants.usda.gov/cgi_bin/plant_profile.cgi?symbol=QUSU5 and retrieved on 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)		
REC Components	2/18/04	Importer of subject product	No	

Technical comments:¹⁰

The proponent of this bill, a manufacturer of fishing rods and fishing rod components, uses imported natural cork rings of various sizes to make fishing rod handles. The firm argued unsuccessfully before U.S. Customs that the cork rings it uses should be considered parts of fishing rods (HTS 9507.10.00), which are subject to a general duty of 6 percent (see Customs Ruling HQ 965499). U.S. Customs ruled that the cork rings in question should be classified in HTS 4503.90.20, which is subject to a general duty of 14 percent. This legislation reduces the general duty for HTS 4503.90.20 to 6 percent, the same rate as that for HTS 9507.10.00. The revenue impact of the 8 percentage point reduction is negligible.

However, this legislation focuses attention on a broader question in regard to HTS heading 4503, articles of natural cork. Reflecting the fact that natural cork is not produced in the United States, the general rate of duty for subheadings within HTS 4503, with one exception, is free. The exception is the basket category, HTS 4503.90.20, which as noted above is subject to a duty of 14 percent.

It appears that the bill could be more narrowly drawn and reduce duty on the cork rings in issue, rather than reduce the duty on the entire basket category of natural cork products.

¹⁰ 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.

108TH CONGRESS
1ST SESSION

S. 1006

To reduce temporarily the duty on certain articles of natural cork.

IN THE SENATE OF THE UNITED STATES

MAY 6, 2003

Mr. BURNS (for himself, Mr. DOMENICI, and Mr. BAUCUS) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To reduce temporarily the duty on certain articles of natural cork.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. CERTAIN ARTICLES OF NATURAL CORK.**

4 (a) IN GENERAL.—Subchapter II of chapter 99 of
5 the Harmonized Tariff Schedule of the United States is
6 amended by inserting in numerical sequence the following
7 new heading:

“	9902.45.03	Articles of natural cork (provided for in sub-heading 4503.90.60)	6%	No change	No change	On or before 12/31/2006	”.
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1 (b) EFFECTIVE DATE.—The amendment made by
2 subsection (a) applies with respect to goods entered, or
3 withdrawn from warehouse for consumption, on or after
4 the 15th day after the date of the enactment of this Act.

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