

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, DC 20436

**MEMORANDUM ON PROPOSED TARIFF LEGISLATION
of the 109th Congress¹**

[Date approved: September 12, 2005]²

Bill No. and sponsor: H.R. 1944 (Mr. Simmons et al.).

Proponent name, location: REC Components
Enfield, Connecticut 06082

Other bills on product (109th Congress only): S. 931 (Mr. Burns et al.).

Nature of bill: Temporary duty reduction through Dec. 31, 2008.

Retroactive effect: None

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

Articles of natural cork, not elsewhere specified or included (provided for in subheading 4503.90.60).

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

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

Natural cork is obtained from the bark of the cork oak (*Quercus suber* L.), an evergreen oak native to the Iberian Peninsula. In general, the highest quality natural cork is used to manufacture wine corks. Lower grades are used to manufacture a wide range of items, including building products (e.g., ceiling tiles, flooring, wall coverings), heat and electrical insulators, discs and wafers, washers and gaskets, shoe soles, floating booms, leg padding for kayaks, and pictures.³ Some of these goods are provided for elsewhere under heading 4503 and thus are not covered by the proposed suspension.

There is no commercial production of natural cork in the United States and little, if any, manufacturing of articles of cork.⁴ In 2004, the five major U.S. import suppliers were Portugal (accounting for more than 50 percent of the world cork supply), China, Taiwan, Spain, and France.

¹ Industry analyst preparing report: Fred Forstall (202-205-3443); Tariff Affairs contact: Jan Summers (202-205-2605).

² An electronic copy of this memorandum is available at http://usitc.gov/tata/hts/other/rel_doc/bill_reports/index.htm.

³ "2000 Cork Harvest Best in Years," found at <http://www.corksupplyusa.com/pr21.htm> and retrieved February 10, 2004.

⁴ The U.S. Census Bureau reported that 2002 U.S. shipments of cork products were \$93 million. However, an industry official said that there are virtually no U.S. manufacturers of any natural cork products because the highest quality natural cork is used to make wine corks, so that other products made from lower grade cork (e.g., flooring) are, in essence, by-products of the wine cork business. The Census Bureau acknowledged that shipments of cork products would be counted as U.S. shipments if the U.S. firm added any amount of value (e.g., labels or packaging) even though the product was otherwise manufactured in Europe and imported. Mr. Tom Banner, president, American Cork Products Co., telephone interview by USITC staff, June 7, 2005. *All Other Miscellaneous Wood Product Manufacturing: 2002*, U.S. Census Bureau, EC02-311-321999, Mr. Steve Hood, U.S. Census Bureau, telephone interview by USITC staff, June 7, 2005.

Estimated effect on customs revenue:

HTS subheading: <u>4503.90.60</u>					
 	2005	2006	2007	2008	2009
Col. 1-General rate of duty (AVE) <u>1/</u>	14 %	14 %	14 %	14 %	14 %
Estimated value <i>dutiable</i> imports	\$423,814	\$423,814	\$423,814	\$423,814	\$423,814
Customs revenue loss <u>2/</u>	\$33,905	\$33,905	\$33,905	\$33,905	\$33,905

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.

2/ The proposed bill would temporarily reduce the duty from 14 percent to 6 percent ad val. If the current duty of 14 percent were temporarily suspended (reduced to free), the annual customs revenue loss is estimated at \$59,334 per year.

Source of estimated dutiable import data: Official U.S. Government statistics and Commission estimates.

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	No	No	No

Technical comments:⁵

It is suggested that the article description in the proposed tariff heading be amended as shown on page 1, to be consistent with other duty suspension provisions in the HTS. The proponent, a U.S. manufacturer of fishing rods and fishing rod components, uses imported natural cork rings of various sizes to make fishing rod handles. According to a spokesman, the firm argued unsuccessfully before U.S. Customs and Border Protection that the cork rings it uses should be considered parts of fishing rods (HTS subheading 9507.10.00), which are subject to a general duty rate of 6 percent (see Customs Ruling HQ 965499). Customs ruled that the cork rings in question should be classified in HTS subheading 4503.90.60, which has a general duty rate of 14 percent. This legislation would reduce the general duty for all goods of subheading 4503.90.60 to 6 percent ad valorem, the same rate as that for subheading 9507.10.00.

⁵ 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.

109TH CONGRESS
1ST SESSION

H. R. 1944

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

IN THE HOUSE OF REPRESENTATIVES

APRIL 27, 2005

Mr. SIMMONS (for himself, Mr. SHAW, Mr. PAUL, Mr. FOLEY, Mr. MARSHALL, Mr. THOMPSON of California, Mrs. MUSGRAVE, Mr. MICHAUD, Mr. KENNEDY of Minnesota, Mr. HAYES, Mr. KLINE, Mr. GOODLATTE, Mr. BOEHLERT, Mr. BOSWELL, Mr. MCCOTTER, Mr. OTTER, Mr. JENKINS, and Mr. MCHUGH) introduced the following bill; which was referred to the Committee on Ways and Means

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 subheading	6%	No change	No change	On or before 12/31/2008	”.
		4503.90.60					

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.

○