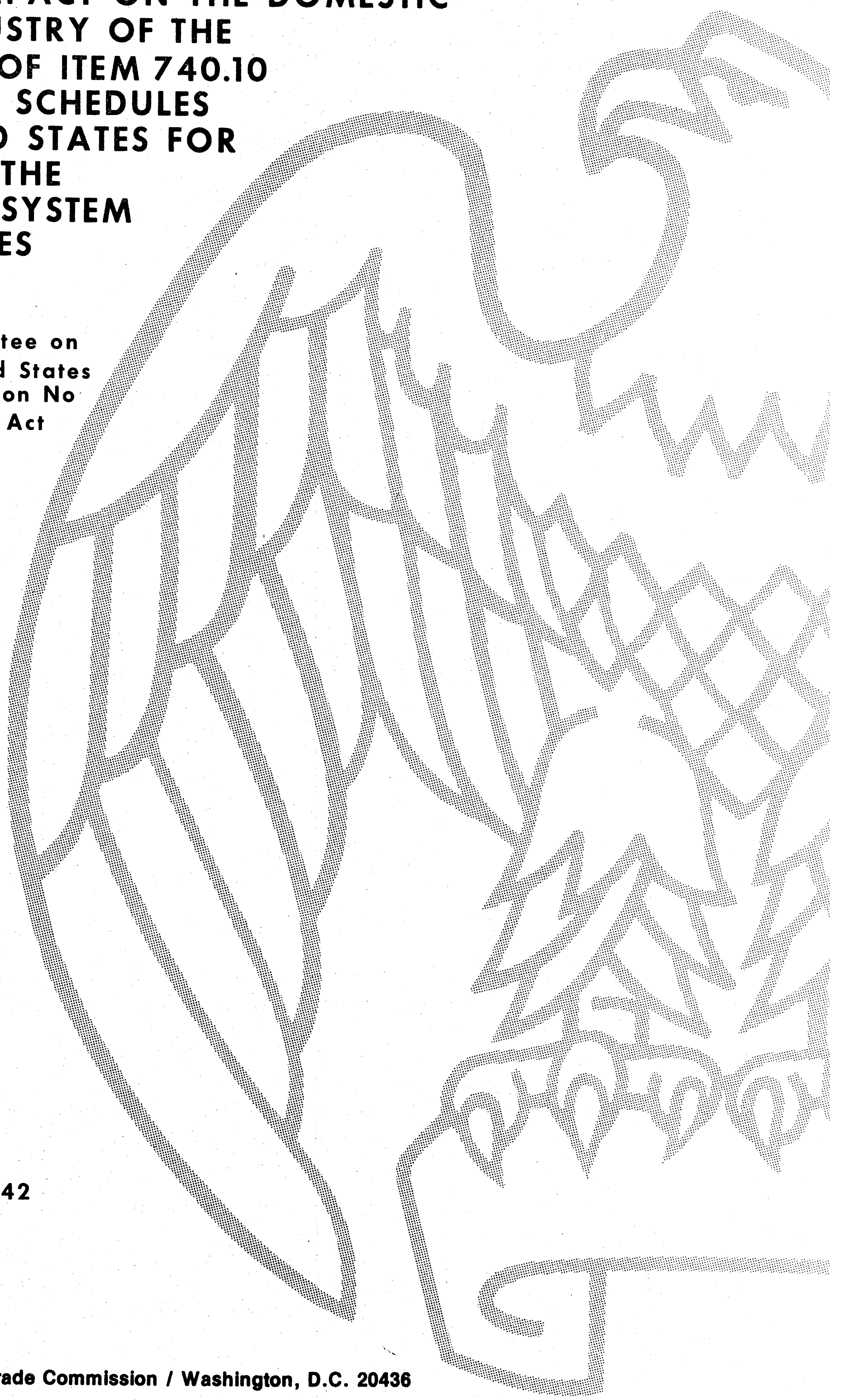
ECONOMIC IMPACT ON THE DOMESTIC JEWELRY INDUSTRY OF THE SUBDIVISION OF ITEM 740.10 OF THE TARIFF SCHEDULES OF THE UNITED STATES FOR PURPOSES OF THE GENERALIZED SYSTEM OF PREFERENCES

Report to the Committee on Finance of the United States Senate on Investigation No 332-122 of the Tariff Act of 1930



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On December 18, 1980, the Committee on Finance, United States Senate, requested the U. S. International Trade Commission to conduct a study pursuant to section 332 of the Tariff Act of 1930 to determine the economic impact on the domestic jewelry industry of the subdivision of item 740.10 of the Tariff Schedules of the United States into five new five-digit items for purposes of the Generalized System of Preferences (GSP). Although the Commission's investigation covered virtually all precious jewelry, of particular importance to both U.S. producers and importers was the trade in necklaces and neck chains of precious metal, principally gold.

U.S. consumption

The value of U.S. consumption of precious jewelry rose from $1.6 billion in 1976 to $3.1 billion in 1979; however, because of a number of unfavorable economic factors, not the least of which was the high cost of gold, consumption fell by 6 percent to less than $3.0 billion in 1980. Most of this decline was due to the drop in demand for precious metal necklaces and neck chains, which, after increasing sharply from $151 million in 1976 to $561 million in 1979, dropped by 24 percent to $427 million in 1980. Consumption of other precious metal jewelry and jewelry in chief value of precious stones, by far the major component of all precious jewelry, was less affected by the uncertain economic conditions prevailing in 1980.

U.S. production and producers

The domestic production of precious jewelry, including necklaces and neck chains, is centered in the metropolitan areas of Providence, R.I., and New York City. During 1976-80, there were some 2,200 firms manufacturing precious jewelry, of which less than 3 percent produced necklaces and neck chains. The value of producers' shipments of all precious jewelry--5 percent of which was exported--rose without interruption from $1.5 billion in 1976 to $2.6 billion in 1980 (or by 72 percent), while that of necklaces and neck chains increased from $87 million in 1976 to $250 million in 1979 (by 187 percent), before falling by 12 percent to $220 million in 1980. Employment in the precious jewelry industry totaled 35,000 workers in 1980, down from a peak of 42,200 in 1978. Similarly, employment in that segment of the industry producing necklaces and neck chains dropped to 2,000 workers in 1980 from a high of 2,250 in 1978.

U.S. imports

The value of imports of all precious jewelry increased by 357 percent from 1976 to 1979, rising from $164 million (10 percent of consumption) to $750 million (24 percent of consumption), but then dropped by 30 percent in 1980 to $528 million (18 percent of consumption); during the period, dutiable imports (principally from Italy) accounted for 85 percent of total imports, and GSP imports accounted for the remainder. Imports of necklaces and neck chains paralleled the growth of total imports, increasing from $66 million in 1976 (44 percent of consumption of these items) to $316 million in 1979 (56 percent of consumption), before declining by 33 percent in 1980 to $212 million (50 percent of consumption); in 1980, dutiable imports (again principally from Italy) accounted for about 83 percent of total imports of necklaces and neck chains, and GSP imports (79 percent from Israel) accounted for the remainder.

Conditions of competition

The heaviest competition between imports and domestically produced precious jewelry has been in the chain segment, with Italy as the primary competitor. Italian and U.S. chains are similar in terms of price and quality. While both chains are largely machine made, the former may have an advantage in terms of style. On the other hand, proximity to the domestic market gives U.S. producers an apparent advantage in quick turnaround time in production; they also enjoy a technological advantage in producing gold-filled chain (which requires less gold), a process of increasing importance due to high gold prices. Besides Italy, the only other major source of precious metal chain is Israel, whose chain, whether handmade or machine-made, is lower in price and generally lower in quality than U.S. or Italian chain.

Probable effects of the subdivision of TSUS item 740.10

For all precious jewelry, including chain, the subdivision of item 740.10 for the purposes of the GSP will not have a significant impact on the level of U.S. imports, the domestic industry or consumers. The subdivision of item 740.10 comes at a time when some firms in the domestic jewelry industry have experienced difficulties due to rising costs of gold, declining consumption, and substantial unemployment. While the subdivision will allow a higher volume of GSP eligible imports, it should not cause any significant worsening of the industry's overall financial condition. It may cause some business uncertainty and could conceivably affect a few domestic firms producing precious metal chain.

Approximately 85 percent of imports in recent years were from developed countries or countries not eligible for GSP treatment and thus are unaffected by the subdivision. Further, while the U.S. market for precious jewelry rose from 1976 to 1979, it declined in 1980, resulting in strong competition between domestic and imported products. In light of current market forces, imports, particularly those from GSP-eligible countries, are not expected to be able to significantly increase their current market shares. Israel, the only significant source of GSP imports and the only GSP eligible country with the apparent capability of expanding production capacity, is unlikely to increase its U.S. market share significantly due to the following:

(1) The quality of its precious metal jewelry is not generally considered to equal that of domestic or Italian producers, the principal suppliers of U.S. imports;

(2) U.S. producers, because of market proximity, are able to respond more quickly to market changes and production orders; and

(3) U.S. producers have a technological advantage in the production of gold-filled jewelry, the jewelry form which is rapidly expanding in the U.S. due to the high level of gold prices.

Likewise, in both subsectors of the precious jewelry industry, the subdivision of item 740.10 will not have a significant impact on the level of U.S. imports, the domestic industry, or consumers for the same general reasons outlined above for all precious jewelry. In addition, for the subsector producing precious metal necklaces and neck chains of gold, Israel has been the only significant supplier of imports of gold chain under the GSP. However, effective March 31, 1981, Israel lost its duty-free status for one of the three new TSUS items for gold chain, gold rope chain. In 1980, this category accounted for roughly one-fifth of Israel's gold chain exports to the United States.

Since most commercial invoices for precious metal necklaces and neck chains do not indicate the style of the article, it has been burdensome for the Customs Service to differentiate between "rope," "mixed link" and "other" chain--three of the new 5-digit items. This classification problem could continue unless Customs adopts a new invoicing method requiring importers to clearly indicate the style of chain.

Introduction

On December 18, 1980, the Committee on Finance, United States Senate, requested the U.S. International Trade Commission to conduct a study pursuant to section 332 of the Tariff Act of 1930 of the economic impact on the domestic jewelry industry of the subdivision of item 740.10 of the Tariff Schedules of the United States (TSUS) for purposes of the Generalized System of Preferences (GSP). 1/ On January 6, 1981, the Commission instituted investigation No. 332-122 under section 332(b) of the Tariff Act of 1930 (19 U.S.C. 1332(b)). The subdivision consists of five new TSUS items comparable to the seven-digit statistical breakouts formerly existing under item 740.10. Notice of the investigation and of the public hearing to be held in connection therewith was published in the Federal Register on January 22, 1981 (46 F.R. 7108). 2/ The public hearing was scheduled to be held in the conference room of the Biltmore Hotel, Kennedy Plaza, Providence, R.I., on February 19, 1981, beginning at 10:00 a.m.

On February 5, 1981, the Finance Committee requested the Commission to give favorable consideration to any request by a domestic interest for extension of the date of the public hearing. On February 9, 1981, a letter was received from a representative of the domestic jewelry industry requesting that the hearing be postponed 3 weeks until sometime after March 9, 1981. 3/ Notice of the postponement of the date for the public hearing was published in the Federal Register on February 19, 1981 (46 F.R. 13050), 4/ and the hearing was held in the conference room of the Biltmore Hotel, Kennedy Plaza, Providence, R.I., on March 30, 1981. 5/

The Commission will forward its report to the Senate Finance Committee by May 1, 1981.

1/ The request from the committee is reproduced in app. A.
2/ The notice of the investigation is reproduced in app. A.
3/ The letter from the committee and a copy of the letter from counsel for the Manufacturing Jewelers and Silversmiths of America, Inc., are reproduced in app. A.
4/ The notice is reproduced in App. A.
5/ A list of the witnesses who appeared at the hearing is reproduced in app. B.

Background

In June 1979, the Israel Export Institute filed a petition with the Office of the United States Trade Representative (USTR) 1/ for consideration by the GSP Subcommittee of the Trade Policy Staff Committee (TPSC). This petition requested the TPSC to recommend to the President the creation of several new subdivisions of then existing item 740.10 of the TSUS. In general terms, item 740.10 covered jewelry and small articles of precious metal, of precious stones, or of natural pearls. (For a more exact description of the coverage of item 740.10, see the following sections on description and uses and tariff treatment.) The stated purpose of this petition was to assure the jewelry industry in Israel of continued duty-free treatment for its products under to the GSP. In the petitioner's view, this duty-free treatment was jeopardized by the likelihood that the competitive-need limitations imposed by section 504(c)(1) of the Trade Act of 1974 (19 U.S.C. 2464(c)(1)) would soon be exceeded by imports from Israel. 2/

If duty-free status were lost, imports from Israel would have become dutiable at the column 1 rate of duty for item 740.10. This rate was 12 percent ad valorem during 1972-79 and 11.3 percent in 1980, and became 10.6 percent on January 1, 1981. It is scheduled to be reduced through annual staged reductions to 6.5 percent ad valorem, effective January 1, 1987.

The petitioners believed that imports from Israel under item 740.10 were approaching the dollar limit described in section 504(c)(1)(A) ($41.9 million in 1979) due to the precipitous rise in the price of gold and not because of the growth of the precious jewelry industry in Israel.

1/ A the time, known as the Office of the Special Representative for Trade Negotiations.

2/ The appropriate passages read as follows:

(c)(1) Whenever the President determines that any country--

(A) has exported (directly or indirectly) to the United States during a calendar year a quantity of an eligible article having an appraised value in excess of an amount which bears the same ratio to $25,000,000 as the gross national product of the United States for the preceding calendar year, as determined by the Department of Commerce, bears to the gross national product of the United States for calendar year 1974, or

(B) except as provided in subsection (d), has exported (either directly or indirectly) to the United States a quantity of any eligible article equal to or exceeding 50 percent of the appraised value of the total imports of such article into the United States during any calendar year,

then, not later than 90 days after the close of such calendar year, such country shall not be treated as a beneficiary developing country with respect to such article . . . .

Acting on the recommendation of the TPSC in this matter, the President, on March 27, 1980, as part of Executive Order No. 12204 (45 F.R. 20740), established five new subdivisions of the then existing TSUS item 740.10. These new TSUS items, 740.11, 740.12, 740.13, 740.14, and 740.15, replaced item 740.10 effective March 31, 1981. (The language of these new provisions appears in the table in the tariff treatment section.) In addition, the Executive order designated articles in these five new items as eligible articles for GSP treatment when imported from any beneficiary developing country (see general headnote 3(c)(i) of the TSUS, reproduced as app. B.) 1/ This designation became effective for articles entered, or withdrawn from warehouse for consumption, on or after March 31, 1981.

As a result of this action by the President and pursuant to a request from the chairman of the TPSC, interagency Committee for Statistical Annotation of Tariff Schedules added statistical annotations to item 740.10 corresponding to the legal language of the Executive order. These annotations were added on March 28, 1980, and remained in effect until item 740.10 was superseded by the provisions of the Executive order on March 31, 1981.

The exact language and coverage of both the statistical annotations of item 740.10 and the current items 740.11-740.15 appear in detail in the tariff treatment section of this report.

It is the creation of these new tariff provisions and their designation for GSP treatment by Executive Order No. 12204 of March 27, 1980, to which the request from the Finance Committee refers.

Description and Uses

This investigation encompasses those articles which for tariff purposes were classified under item 740.10 of the TSUS. It includes jewelry and other objects of personal adornment, and small articles ordinarily carried in the pocket, in the handbag, or on the person for mere personal convenience, and parts thereof, if these articles and parts are in chief value of precious metal (including rolled precious metal), 2/ of precious stones, of natural pearls, of precious metal (including rolled precious metal) set with semiprecious stones, cameos, intaglios, amber, or coral, or any combination of the foregoing. However, the investigation, does not cover any of the above articles if in chief value of silver (including rolled silver) and valued not over $18 per dozen pieces or parts (TSUS item 740.05); in recent years, trade in articles covered by this provision has been insignificant.

1/ Articles in item 740.10 were eligible articles, but since 1977 products of Hong Kong entered under this item had not been entitled to the benefits of GSP.

2/ The term "rolled," as used in regard to precious metals, means material made with a metal base upon one or more surfaces of which a covering of precious metal is affixed by soldering, brazing, welding, hot-rolling, or similar mechanical methods, and also includes base metal inlaid with precious metal.

For purposes of this investigation, precious jewelry articles will be considered in three groups. The first group encompasses three of the new TSUS items, 740.11, 740.12, and 740.13, which provide for necklaces and neck chains almost wholly of gold, including both karat gold and gold-filled. 1/ These articles are grouped according to style. TSUS item 740.11 encompasses rope necklaces and neck chains, which are made of fine wire arranged in closely massed links to resemble rope. Mixed link, under TSUS item 740.12, is chain composed of two or more types or styles of link. The third provision for necklaces and neck chains almost wholly of gold, TSUS item 740.13, includes all other styles of neck chains--cobra and serpentine being among the more dominant--as well as other gold necklaces.

The second group of precious jewelry articles, TSUS item 740.14, is the largest and most varied and constitutes the greatest dollar volume of imports. Included in this provision are jewelry and other objects of personal adornment, as well as the so-called small articles ordinarily carried on the person, if these articles are in chief value of precious metal. Typical articles of jewelry and personal adornment are rings, earrings, bracelets, brooches, cuff links, collar pins, tie pins and clips, medals, and military, fraternal, and similar emblems and insignia. Also in this grouping are necklaces and neck chains which are not almost wholly of gold. The "small articles" include cigar and cigarette cases and holders, spectacle cases, coin purses, card cases, pocket combs, powder boxes, lipstick holders, money clips and similar articles.

The last group of precious jewelry articles, TSUS item 740.15, consists of jewelry and small articles in chief value of precious stones or of natural pearls. Diamond and pearl necklaces are in this group, as well as articles similar to those enumerated in the second group, providing they are in chief value of precious stones or natural pearls.

Although this investigation covers all the articles encompassed by former item 740.10, which included virtually all precious jewelry, the major concern expressed to the Commission staff by counsel for both the Israel Export Institute and certain domestic producers centered on those products classifiable under new TSUS items 740.11 through 740.13--necklaces and neck chains, almost wholly of gold (including gold-filled).

Production processes for jewelry items vary greatly from plant to plant due to ranges in the quality of metal and stone used. In general, the more costly the materials, the higher the degree of skill and handwork needed and the lower the degree of mechanization. The types of processes used within a plant are also dependent on other factors, which include the degree that the plant is self-contained and does not rely on job shops for certain operations,

1/ Gold-filled: A plating by soldering, brazing, welding, or other mechanical means of gold alloy of not less than 10 karat fineness, when the plating constitutes at least 1/20 of the weight of the metal in the entire article.

how many parts (if any) must be supplied from outside, and whether the firm merely assembles jewelry from purchased stock findings.

Metal parts used in the manufacture of jewelry are usually made by either stamping or casting. Stamping involves the mechanical formation of parts from flat stock, wire, or tubing; it is used to manufacture platinum, gold, silver, and gold-filled jewelry, as well as nonprecious metal jewelry. Hand tools are employed more widely in making high-priced pieces than low- and medium priced parts. Casting of jewelry parts consists of pouring liquid metal into molds of bronze, rubber, or plaster. Casting has two advantages over stamping in that it is often less costly and allows more freedom of design. Gold and silver, as well as brass, tin, zinc-aluminum, and lead are utilized in casting.

Following the manufacture of the component parts, the pieces are assembled mechanically with the use of rivets, screws, and springs, or by soldering or welding pieces together. The soldering or welding process can be done by hand or by machine. The solder material varies from hard solders, consisting of relatively expensive golds and silvers, to soft solders of lead and tin.

The final step in the manufacturing process, finishing, varies with the types of metals used and the desired final effect. Often with precious metals such as karat gold, platinum, and silver, polishing and possibly engraving are all that are done. Bimetal products (gold-filled or rolled gold plate) are usually polished and then electroplated to conceal raw edges and add uniformity of color. Various coating and polishing operations are used for less expensive items.

With the increased popularity of necklaces and neck chains in recent years, their manufacture has spread throughout the world. While some chain is made by hand, most is manufactured by machine. The use of chain machines from West Germany or Italy is predominant in many parts of the world, although some U.S. chain manufacturers have built their own machines, usually based on Italian or West German versions. Different sizes and types of machines as well as separate tooling may be required, depending on the type of chain manufactured. The two most common types of chain machines are curb and cable.

The production process for chain begins with wire. U.S. manufacturers use solder-filled wire to make chain of precious metals; foreign manufacturers use solid wire. There are some manufacturing advantages to using solder-filled wire, as it solders more easily and with more consistency than solid wire. Solder-filled wire is slightly more expensive than solid wire, as very few domestic chain manufacturers produce their own wire and must purchase it from wire manufacturers. Some foreign manufacturers prepare their own wire for processing.

The wire is fed from a spool or coil into a chain machine, where links are formed and connected. The chain is strung off the machine in hanks, and the oil previously put on the wire in the machine is removed. The next step is to prepare the chain for soldering by coating it with talcum powder. Most firms solder chain in an electric dissociate ammonia furnace; alternate methods are high-frequency induction or open-flame soldering. The chain is then cleaned. The process can end here, but usually the chain is processed further by hammering, flattening, faceting, or swedging, depending on the style desired. Hammered chain must then be annealed one or more times for greater strength and flexibility.

Once the desired style is attained, mending operations are performed to repair broken or weak links. The chain can then be sold as footage chain or made into finished jewelry articles by cutting it to desired lengths and adding spring rings or otherwise manipulating it. U.S. manufacturers primarily use spring rings imported from West Germany due to their high quality.

Electroplating of finished chain, which provides a more uniform color and sparkling appearance, appears to be standard practice among many of the domestic chain manufacturers. Most Italian chain is electroplated, while little, if any, Israeli chain receives this treatment.

U.S. Tariff Treatment

Since the central issue in this investigation is the subdivision of item 740.10 for GSP purposes, some discussion of the operation of the program is appropriate. Title V of the Trade Act of 1974, in establishing the GSP program, also established certain limits to the benefits. These limits are found in section 504(c) of the Trade Act. They are applied on a five-digit-item basis and are of two types. One, which is indexed to the Gross National Product of the United States, is the total dollar amount that imports of an article from a single beneficiary country may reach in a calendar year without losing eligibility. For 1980, this competitive-need limit in section 504(c)(1)(A) of the Trade Act of 1974 is $45.8 million for articles imported under each eligible TSUS item from each designated beneficiary country. The second limit, in section 504(c)(1)(B), restricts the imports under any single TSUS item that can be imported duty free from any single beneficiary country to 50 percent of the appraised value of total imports under that TSUS item. In light of these limits, the subdivision of item 740.10 will have the following effects.

By the creation of five new five-digit items in place of the one existing item, the dollar limit for precious jewelry is potentially expanded from $45.8 million per country to $229 million. However, the $45.8 million limit will apply to each of the newly created items individually.

Further, this action will cause the 50-percent criterion to operate more selectively with respect to each GSP country. Since the coverage of each five-digit item will necessarily be narrower, a smaller dollar amount of imports from a country could trigger the 50-percent limit. For example, in 1979 a single country would not have approached the 50-percent limitation since total imports under item 740.10 exceeded $750 million, and the dollar limit under section 504(c)(1)(A) ($41.9 million) would have been applicable. However, with the new subdivisions, total imports of rope necklaces in 1980 are estimated to have amounted to $10.1 million, and a country would reach the 50-percent limit by exporting only 5.05 million dollars' worth of this particular type of necklace or neck chain. 1/ Similarly, exports of only $2.0 million in mixed link necklaces would trigger this limit for each country.

In summary, although the total dollar limit pursuant to section 504(c)(1)(A) for precious jewelry formerly classifiable in item 740.10 is being quintupled, the restraints under section 504(c)(1)(B) tend to be tighter, and the likely net result on the value of imports remains uncertain.

Item 740.10 provided for jewelry and other objects of personal adornment, as well as certain small objects ordinarily carried on the person, in the pocket, or in the handbag. (Religious devotional articles are not classified here.) Item 740.10 applied provided that the articles were in chief value of precious metal, of precious stones, of natural pearls, of precious metal set with semiprecious stones, or any combination of these materials. Articles in chief value of silver and valued not over $18 per dozen pieces or parts are provided for in item 740.05 and not in 740.10.

Item 740.10 had been an eligible article entitled to the benefits of GSP since the inception of the program in January 1976. This duty-free treatment was available to products of all the developing countries (listed as designated countries in general headnote 3(c) of the TSUS (see app. C)) except products of Hong Kong, which exceeded the competitive-need limits for item 740.10 after 1 year; it was removed from eligibility in March 1977. This TSUS item was also subject to a rate reduction under the Multilateral Trade Negotiations recently concluded in Geneva. The 12-percent rate in effect since 1972 was reduced on January 1, 1980, to 11.3 percent, is currently 10.6 percent, and is to be further reduced in annual stages to a final rate of 6.5 percent effective January 1, 1987. The rates for this item are shown in the following table along with the rates for the newly created TSUS items 740.11, 740.12, 740.13, 740.14, and 740.15. It should be noted that these new items are subject to the same staged reductions and rates as were scheduled for item 740.10. Also shown in the table is the LDDC rate of duty, applicable to products of those countries designated as "least developed developing countries." If the duty-free treatment under GSP fails to apply to products from one of these countries for any reason, this lower LDDC rate would be applicable. 2/

As stated earlier, the subdivision of item 740.10 became effective on March 31, 1981. The coverage of the new TSUS items is as follows. Items 740.11, 740.12, and 740.13 cover necklaces and neck chains, almost wholly of gold. The phrase "almost wholly of" as defined in general headnote 9(f)(iii) of the TSUS means that the essential character of the article is imparted by the named material (gold), notwithstanding the fact that significant quantities of some other material or materials may be present. The U.S. Customs Service has indicated that it believes the application of this new language to be such that necklaces and neck chains of karat gold fineness or of gold-filled quality will be classified in these provisions. Item 740.14 includes all jewelry, other than the necklaces and neck chains named above, in chief value of precious metal, as well as the so-called small articles of

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1/ In 1980, Israel exceeded this limit, since imports of gold rope chain from Israel were approximately $5.35 million.

2/ The LDDC rate reflects the full concession rate negotiated under the Multilateral Trade Negotiations for a particular item without staging.

Jewelry and related articles: U.S. rates of duty, previous, present, and negotiated, by TSUS items

TSUS item No. in effect until Mar. 31, 1981	TSUS item No. effective Mar. 31, 1981	Description	Previous col. 1 rate of duty 1/	Present col. 1 rate of duty 2/	Negotiated col. 1 rate of duty 3/ (LDDC rate)	Col. 2 rate of duty 4/	GSP eligibility
		[Jewelry and other objects of personal adornment, and small articles ordinarily carried in the pocket, in the handbag, or on the person for mere personal convenience, all the foregoing, and parts thereof, of precious metal (including rolled precious metal), of precious stones, of natural pearls, of precious metal (including rolled precious metal) set with semiprecious stones, cameos, intaglios, amber, or of any combination of the foregoing:]					
[740.0500]	[740.05]	[Of silver (including rolled silver) and valued not over $18 per dozen pieces or parts]					
5/ 740.10		Other	12% ad val. 5/	10.6% ad val. 5/	6.5% ad val. 5/	80% ad val. 5/	Yes. 6/
		Of precious metals:					
		Necklaces and neck chains, almost					
		Wholly of gold:					
740.1010	740.11	Rope	12% ad val.	10.6% ad val.	6.5% ad val.	80% ad val.	Yes.
740.1015	740.12	Mixed link	12% ad val.	10.6% ad val.	6.5% ad val.	80% ad val.	Yes.
740.1025	740.13	Other	12% ad val.	10.6% ad val.	6.5% ad val.	80% ad val.	Yes.
740.1030	740.14	Other	12% ad val.	10.6% ad val.	6.5% ad val.	80% ad val.	Yes.
740.1040	740.15	Other	12% ad val.	10.6% ad val.	6.5% ad val.	80% ad val.	Yes.

1/ Effective Jan. 1, 1972-Dec. 31, 1979; the col. 1 rates from Jan. 1, 1980-Jan. 1, 1981, for TSUS items 740.10 and 740.70 were 11.3 percent ad valorem and 15.8 percent ad valorem, respectively.
2/ Effective Jan. 1, 1981.
3/ Rate negotiated under the Multilateral Trade Negotiations (Tokyo round), to be achieved through 8 annual staged reductions beginning Jan. 1, 1980. This rate is currently applicable to products from countries designated as "least developed developing countries" (LDDC) (see app. C).
4/ Rate provided in the Tariff Act of 1930.
5/ Superseded by items 740.11-740.15 effective Mar. 31, 1981.
6/ Excluding imports from Hong Kong effective Mar. 1, 1977.

Note.--Bracketed language is unchanged by Executive Order No. 12204.

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precious metal. Item 740.15 provides for jewelry and small articles in chief value of precious stones or of natural pearls.

These five new classifications existed as statistical annotations of item 740.10 from March 31, 1980, until March 31, 1981. During that period, the experience of the Customs Service in trying to administer these classifications was somewhat disappointing. As shown in the preceding table, items 740.1010, 740.1015, and 740.1025 corresponded to the newly created items 740.11, 740.12, and 740.13. Since most commercial invoices for precious metal necklaces and neck chains do not indicate the style of the article, other than by reference to a style number, it has been particularly burdensome for Customs to attempt to differentiate between "rope," "mixed link," and "other" styles. This is aggravated by the fact that "mixed link," although physically identifiable, is not a commercially used term to describe a particular style of chain. This problem of distinguishing the styles could conceivably continue even now that the legal classifications (items 740.11-740.15) are effective unless Customs adopts a new invoicing method requiring importers to clearly state the style.

The final classification issue of concern in this investigation is the interplay between items 740.11-740.14 and item 740.70. Item 740.70 provides for precious metal chain of all types--rope, cable, curb, and so forth--for use in jewelry. 1/ The chain is provided for under item 740.70 as long as it is produced in continuous lengths, whether or not the chain has been cut to a specific length. However, once any further operation is performed on the chain such as attaching end caps or a spring ring (clasp) or a jump ring (receptacle for clasp), the chain is no longer classifiable in 740.70 but becomes jewelry either finished or unfinished or a part of jewelry under one of items 740.11-740.14. If it is considered finished or semifinished, is in the size range for a necklace or neck chain, and is of gold, the chain would fall under new items 740.11-740.13; if of silver, or if not finished sufficiently to be identifiable as a necklace, neck chain, or other item of jewelry but is only a part of jewelry, item 740.14 would apply. In this regard the products, with a slight manipulation, can be moved from item 740.70 to one of items 740.11-740.14. Therefore, merchandise which is ineligible for GSP in item 740.70 (products of Israel at the present) can be shifted into one of the items succeeding item 740.10 without great difficulty. The extent to which this practice may be used is yet to be seen.

1/ The language of item 740.70 is as follows:

Rope, curb, cable, chain, and similar articles produced in continuous lengths, all the foregoing, whether or not cut to specific lengths and whether or not set with imitation pearls or imitation gemstones, of metal or of metal and such pearls or gemstones, suitable for use in the manufacture of articles provided for in this subpart:

Of precious metals (including rolled precious metals)

U.S. Consumption, Production, and the U.S. Industry

U.S. consumption

The value of apparent U.S. consumption of precious jewelry and related articles rose by 94 percent between 1976 and 1979, from $1.6 billion to an estimated $3.1 billion, and then fell 6 percent to an estimated $3 billion in 1980 (table 1, app. D). During 1976-80, the ratio of imports to consumption increased from 10 percent in 1976 to about 24 percent in 1979 before dropping to 18 percent in 1980, largely because of a 30-percent decline in the value of imports.

Although the 1970's saw jewelry, particularly necklaces and neck chains, emerge as a major fashion item for both men and women, much of the increase in the value of domestic consumption reflects the tremendous climb in the prices of precious metals and precious stones which occurred during 1976-80. The average price for an ounce of gold was about $125 in 1976; by 1980, that average reached $616, after peaking at $850 in early 1980. Silver prices have also risen greatly, from $4.25 per ounce in January 1976 to over $45 per ounce in the early months of 1980. Such prices have since fallen to levels below $20 per ounce, but are still well above their 1976 level.

The fluctuations in the price of precious metals, particularly gold, were in large part responsible for the uncertainty in the demand for precious jewelry in 1980. As long as gold continued to rise in price, it received much media attention, and gold jewelry was viewed as a good investment by many consumers. The result was that 1976 through 1979 were banner years for jewelry sales. Once the price began to fluctuate, consumers became hesitant. This fluctuation, coupled with poor conditions throughout the U.S. economy--high interest rates, new consumer credit limitations, fewer discretionary dollars, and rising unemployment--caused jewelry consumption, particularly of precious metal jewelry, to fall in 1980.

Necklaces and neck chains were one segment of the precious jewelry market which enjoyed rapid growth during the 1970's. Until the early part of the decade, chains were merely a vehicle for wearing a pendant. By the mid-1970's, heavier chains without pendants became stylish, especially those of karat gold. Chains can be worn with anything, and are popular as gifts since, unlike many items, they do not have to be sized.

Estimated apparent consumption of precious metal necklaces and neck chains, of which over 90 percent were gold or gold-filled in recent years, more than tripled in value between 1976 and 1979, rising from $151 million to $561 million. The ratio of imports to consumption also increased each year during this period, from 44 percent in 1976 to 56 percent in 1979 (table 2). Decreased demand for necklaces and neck chains was reflected in the general drop in consumption of precious jewelry in 1980; estimated apparent consumption in 1980 amounted to $427.4 million, 24 percent less than in 1979. The ratio of imports to consumption in 1980 was 50 percent.

Despite the drop in consumption of precious metal necklaces and neck chains in 1980, some domestic manufacturers and importers of chain remain optimistic about the future. They do not consider chain to be a fad, but, rather a staple fashion item. The following tabulation in indexes of the expected value of consumption was derived from data received by the Commission from producers' questionnaires, and buttresses this optimistic view of the future U.S. market for precious metal chain:

	Index (1979=100)
1979	100.0
1980	85.3
1981	93.8
1982	111.5
1983	155.0

Necklaces and neck chains of precious metal make up a relatively small portion of total consumption of precious jewelry. At its highest point, in 1979, estimated apparent consumption of chain accounted for approximately 18 percent of total precious jewelry consumption; in 1980, this portion was closer to 14 percent.

Other precious metal jewelry and jewelry in chief value of precious stones or pearls together accounted for over 80 percent of apparent consumption of jewelry under TSUS item 740.10 throughout 1976-80. Separate data for these groupings are not available, though demand for these articles decreased in 1980 due to higher prices for precious metals and precious stones as well as uncertain economic conditions. However, demand for certain precious jewelry articles, especially those consisting of quality diamonds, emeralds, rubies, opals, and sapphires, remained strong in 1980 among upper income consumers.

U.S. production

Domestic production of precious jewelry and related articles, as measured by U.S. producers' shipments, has been increasing in value since 1976. The value of product shipments of precious jewelry was $1.5 billion in 1976. In 1980, such shipments were estimated to be $2.6 billion, representing an increase of 72 percent (table 1).

Data received by the Commission from producers that accounted for an estimated 75 percent of the total value of domestic producers' shipments of precious metal necklaces and neck chains indicate that estimated domestic shipments of precious metal necklaces and neck chains rose from $87 million in 1976 to $250 million in 1979 before falling by 12 percent to $220 million in 1980, when they accounted for 8 percent of total U.S. producers' shipments of all precious jewelry (table 2). However, in terms of footage of chain, U.S. producers' shipments increased during 1976-78 before falling in 1979 and 1980. Such shipments in 1980 were estimated to have been 33 percent below the 1976 level and 48 percent below that of 1978. 1/ Similarly, reported capacity utilization in U.S. establishments producing precious metal necklaces and neck chains indicates a decline of more than 37 percent from 1976 to 1980, as shown below:

	Capacity utilization (percent)
1976-------	69.2
1977-------	66.0
1978-------	66.8
1979-------	57.5
1980-------	43.2

According to data received from Commission questionnaires, which were generally fragmentary since producers do not define their production in terms of the styles described in the TSUS, producers' shipments of precious metal necklaces and neck chains (i.e., karat gold and gold-filled chain of rope, mixed link, and other styles), as a share of the total value of sales of these styles, show that the "other" category made up about 65 percent of sales in 1976 and 1977 and almost 80 percent during 1978-80. Rope chain was the next largest category, with a share of nearly 30 percent the value of sales for 1976 and 1977 and an average 14-percent share for 1978-80, with a slight drop in 1979. Mixed link accounted for close to 7 percent throughout the 5-year period, except during 1979, when it took a somewhat larger share of the total value of sales.

Some data were collected on the value of sales for necklaces and neck chains of precious metal other than karat gold and gold-filled, essentially silver. In terms of the new TSUS breakouts, necklaces and neck chains of this type are classified under TSUS item 740.14, other precious metal jewelry. Dollar sales of necklaces and neck chains in this group, representing about 5 percent of estimated producers' shipments of all precious metal chain in 1980, experienced little growth during 1976-79 and fell by an estimated 40 percent between 1979 and 1980.

Although constant or higher dollar sales and decreased unit sales appear to be the general trend in the precious metal chain industry, the degree to which each firm has been affected varies. To a limited degree, a few firms

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1/ In the course of its investigation, the Commission requested chain production in footage, but received fragmentary and inconsistent data. Those firms supplying the most complete data are estimated to have represented 30 percent of the value of producers' shipments in 1980. Production of karat gold and gold-filled chain in footage is estimated to have nearly doubled between 1976 and 1978, from 14,400 feet to 27,100 feet, and then declined by 16 percent in 1979, to 22,800 feet. Footage produced in 1980, at 17,300 feet, was 24 percent less than the amount produced in 1979 but 20 percent higher than in 1976. Production in footage for other precious metal chain declined after reaching 12,600 feet in 1977, with the 1980 level, 3,500 feet, barely one-fourth as high as in 1977.

have diversified their operations, manufacturing other jewelry in addition to chain. Karat gold chains are being made lighter and finer, using less gold. Gold-filled jewelry has become an increasingly larger portion of production lines. Some U.S. manufacturers of precious metal jewelry believe that the United States is currently more advanced than other countries in the technology of gold-filled jewelry. In their view, it is in this area that the domestic industry's future production will be concentrated. However, in the opinion of several producers, foreign manufacturers could duplicate U.S. gold-filled technology in the near future.

The remaining two segments of the precious jewelry industry, other precious metal jewelry (other than gold and gold-filled necklaces and neck chains) and jewelry in chief value of precious stones or pearls, together accounted for at least 90 percent of domestic producers' shipments of all precious jewelry during 1976-80; however, separate production data are not available for these two groups. Within each group are similar types of articles made with many of the same materials (precious metals, precious stones, or pearls). The material which constitutes the chief value of an article determines in which segment it belongs.

Production of rings constitutes the greatest share of jewelry manufactured in these two segments. In 1977, the latest year for which data are available, rings (school, wedding, and all other types) accounted for over one-third of the value of producers' shipments of all precious jewelry; this situation is not believed to have changed significantly since then.

Like the chain manufacturers, producers of other precious metal jewelry and jewelry in chief value of precious stones or pearls have had to cope with higher costs for materials. In order to use less gold, more filigree is being used in jewelry articles such as earrings and rings; wedding bands are being made narrower. In 1980, for the first time, some wedding and engagement ring manufacturers used 10 karat gold, although 14 karat still predominates. Similarly, class ring manufacturers have turned to stainless steel and other alloys in place of gold.

Inventory

The increased costs of precious metals have caused a change in inventory levels and locations throughout the precious jewelry industry. These costs, coupled with high interest rates and sluggish sales, have resulted in an attempt by retailers and wholesalers to reduce their inventory levels by shifting the burden increasingly to the manufacturer. In turn, these added costs have forced manufacturers to trim their inventory levels, frequently by selling off inventories and reducing production. Nevertheless, inventory levels, as measured by value, appear to have grown significantly during 1976-80, owing primarily to the sharp increase in gold prices that occurred after 1976.

The total precious metal chain inventories of 11 firms that accounted for approximately half the total value of producers' shipments of precious metal chain during 1976-80 are shown below:

	Inventory (1,000 dollars)	Ratio of inventory to producers' shipments (percent)
Dec. 31--		
1976	10,506	20
1977	14,604	18
1978	23,326	22
1979	46,349	38
1980	46,043	42

The value of inventories rose by 338 percent during 1976-80, roughly paralleling the 393-percent increase in gold prices that occurred during the period. Karat gold chains accounted for the largest share of the value of inventories (46 percent) during this period, followed by gold-filled chains (32 percent), and chains of other precious metals (22 percent). Inventory data in terms of footage are not available.

Inventory data for those industry sectors producing other precious metal jewelry and jewelry in chief value of precious stones are not available, but such inventories are known to have also increased sharply during 1976-80.

Producers

In 1980, approximately 2,200 firms were involved in the manufacture of precious jewelry and related articles. Rhode Island, Massachusetts, New York, and New Jersey are the major producing areas, accounting for nearly 75 percent of total domestic shipments and over half the number of firms in 1977. California is the only other significant area of production, with 12 percent of all firms and 6 percent of total shipments in 1977.

Although there may be as many as 60 domestic precious metal chain manufacturers (less than 3 percent of the number of all producers of precious jewelry), domestic production of machine-made precious metal chain is concentrated among 20 to 25 firms; the production of such chain accounts for virtually all of each firm's total annual output. In 1979 and 1980, the top seven firms accounted for over 60 percent of domestic precious metal chain production, while the top two accounted for 30 percent of the total. Approximately 20 chain manufacturers are located in the Providence, R.I., and Attleboro, Mass., area. Close to two-thirds of precious metal chain produced in the United States originates in this area, and probably almost all domestic gold-filled chain is made there as well. Producers in New York City and its surroundings, which largely manufacture karat gold chain, account for approximately one-fourth of total domestic production of precious metal chain. Reportedly, there are numerous small firms, primarily in the New York City area, engaged in the production of high-priced, handmade precious metal chain; however, the value of this production is believed to be insignificant in terms of total precious metal chain shipments.

Over 2,000 firms, concentrated largely in New York, New Jersey, and New England, manufacture jewelry of precious metal (other than precious metal necklaces and neck chains), precious stones, and pearls. There are several types of manufacturers included among these firms. One type manufactures class rings and fraternal and military emblems and insignia. There are estimated to be 10 major manufacturers of wedding and engagement rings in the United States, another type. Still another type manufactures fashion jewelry, such as earrings, charms, and bracelets.

Employment

The precious jewelry industry is made up of predominantly small firms. It is estimated that about 80 percent of the firms involved in the manufacture of precious jewelry employ less than 20 workers each. In 1976, the industry employed 36,600 workers; this number increased to 42,200 in 1978. Estimates for 1979 and 1980, however, show that employment levels declined in both years, with approximately 35,000 workers believed to be employed in the precious jewelry industry in 1980.

The following tabulation shows estimated total employment and employment of production and related workers in the domestic precious metal chain industry in 1976-80:

	All employees	Production and related workers
1976--------	1,815	1,740
1977--------	2,025	1,920
1978--------	2,400	2,250
1979--------	2,275	2,140
1980--------	2,175	2,000

As the data show, employment rose by 32 percent between 1976 and 1978 and then fell by 5 percent and 4 percent in 1979 and 1980, respectively. Employment of production and related workers followed a similar trend, rising 29 percent from 1976 to 1978 before dropping by 5 percent in 1979 and 7 percent in 1980.

Hours worked by production and related workers paralleled employment levels, rising through the middle of the period and decreasing in 1979 and 1980. However, for some small firms, hours worked began to drop in 1977.

Although the chain is formed by machines, which cost approximately $15,000 each, the chain mechanic who operates these machines is highly skilled. He usually monitors 15 to 25 chain machines and currently earns, on the average, $10 to $12 per hour plus overtime and bonuses. Wages for semiskilled positions, which include tasks such as polishing and soldering, presently range between $5 and $10 per hour. Unskilled workers, those who perform linking and packing operations, generally begin at or just above the minimum wage level.

Employment data are unavailable for the other segments of the precious jewelry industry, but employment was estimated to be 33,000 in 1980. It is believed that, in general, employment rose between 1976 and 1978 before decreasing slightly in both 1979 and 1980.

Financial information

The profitability of the precious jewelry industry in the recent past may be indicated by the median ratio of net profit to net worth for 1979, as published by Dun & Bradstreet; 1/ this ratio for the precious metal jewelry industry was 26 percent. The same source indicates that in 1979 the median ratio of net profit to net sales for this industry was 6 percent. By comparison, in 1978 these ratios were 25 and 5 percent, respectively. While data for 1980 are not available, it is believed that these ratios declined, reflecting the poor economic conditions prevailing in that year. The following table, developed from Commission questionnaires, shows selected profit-and-loss data for certain producers of precious metal chain.

Profit-and-loss experience of 8 U.S. producers of precious metal chain, 1/ 1976-80

Year	Net sales	Net profit before income taxes	Ratio of net profit before income taxes to net sales
	1,000 dollars	1,000 dollars	Percent
1976 2/	34,062	5,573	16.4
1977 3/	65,768	10,330	15.7
1978	91,692	12,752	13.9
1979	135,442	14,505	10.7
1980	118,420	9,482	8.0

1/ These firms accounted for 55 percent of the total value of producers' shipments in 1979.
2/ Includes data for 6 producers.
3/ Includes data for 7 producers.

Net sales of precious metal chain increased at a rapid rate during 1976-79 before declining by 13 percent in 1980. Net profit before income taxes also increased yearly, but at a lower rate than net sales, during 1976-79 before declining by 35 percent in 1980. As a share of net sales, net profit before income taxes fell yearly during 1976-80, from 16.4 percent in 1976 to 8.0 percent in 1980. Profit margins declined as precious metal prices increased during 1976-80.

1/ Dun & Bradstreet, Key Business Ratios, 1980.

In 1976, the ratio of net profit to shareholders' equity ranged from 31 to 45 percent. By 1980, the ratio ranged from a loss equal to 0.7 percent of shareholders' equity to a profit equal to 9 percent. The ratio of net profit to total assets ranged from 4.4 to 34 percent in 1976; in 1980, the ratio ranged from a loss of 0.5 percent to a profit of 5 percent.

Ranges of ratios of net profit before income taxes to shareholders' equity and total assets for precious metal chain producers, 1976-80

Year	Ratios of net profit before income taxes to--	
	Shareholders' equity 1/	Total assets 2/
	Percent	Percent
1976	31-45	4.4-34
1977	20-40	2.9-32
1978	13-31	1.5-35
1979	7-27	2.0-31
1980	(0.7)- 9	(0.5)- 5

1/ Includes data for 3 producers, accounting for 25 percent of the total value of sales in 1979.
2/ Includes data for 4 producers, accounting for 29 percent of the total value of sales in 1979.

U.S. Exports

The value of U.S. exports of precious jewelry and related articles increased from $79.3 million in 1976 to $193.6 million in 1980 (table 3). Exports are estimated to account for 5 to 7 percent of domestic production of all precious jewelry, although exports of precious metal necklaces and neck chains probably account for a smaller share of domestic precious metal chain production. Articles in chief weight of precious stones or natural pearls represented 53 percent of the value of exports of all precious jewelry in 1980, up from an estimated 28 percent in 1976.

Switzerland was the primary market for U.S. exports during 1976-80, though its share dropped over the period. In 1976, exports to Switzerland amounted to $56 million, some 70 percent of total U.S. exports of precious jewelry; in 1980, such exports rose to $105.3 million, but their share of total exports declined to 54 percent. Hong Kong provided the second largest market in 1980, taking U.S. exports valued at $23.2 million; Japan, at $9.3 million, was another significant importer of these articles.

The devaluation of the U.S. dollar abroad in recent years has been beneficial to U.S. exporters, and accounts for some of the 144-percent increase in the value of exports of precious jewelry between 1976 and 1980. However, higher costs for precious metals and precious stones are also in part responsible for the increased value.

High foreign tariffs in some countries, such as Australia and Canada, and strict licensing requirements have kept U.S. manufacturers from exporting on a larger scale. Another deterrent is hallmarking laws in effect in the United Kingdom, France, and other countries, which require sampling of each entering shipment for precious metal content. Shipment delivery can be held up for several months until the testing is completed. The assay process is also destructive, adding to the exporter's costs. The plumb gold standard, 1/ already used in Europe, becomes effective in the United States in October 1981. This will replace the current half-karat (or full-karat, if soldered) tolerance and should aid U.S. export efforts in Europe.

U.S. Imports

U.S. imports of precious jewelry and related articles rose by 359 percent in value between 1976 and 1979, from $163.6 million to $750.3 million, and then dropped by 30 percent in 1980 to $528.1 million (table 4). Unfavorable economic conditions in the United States--decreased discretionary income, rising unemployment, high interest rates--were largely responsible for this decline.

Italy was the primary source of imports from 1976 through 1980. In 1976, imports from Italy were valued at $80.9 million, almost 50 percent of total imports. In 1979, Italy's share of the total reached 71.5 percent, with imports valued at $536.5 million. However, in 1980, imports from Italy were valued at $279.2 million, barely more than half the 1979 level, and accounted for only 53 percent of all imports.

Hong Kong was the second largest supplier of precious jewelry and related articles during 1976-80. Imports from Hong Kong in 1976, valued at $36.5 million, represented 22 percent of all imports in that year. This share decreased steadily through 1979, when imports from Hong Kong, at $51.8 million, accounted for only 7 percent of total imports. In 1980, imports of precious jewelry from Hong Kong amounted to $61.7 million, almost 12 percent of the total.

Switzerland was the third major source of imports under TSUS item 740.10 in 1980. The value of imports from Switzerland in that year was $60.3 million, nearly double the 1979 value of $33.4 million. Switzerland's share of all imports of precious jewelry and related articles was 11 percent in 1980, compared with 4 percent in each year during 1976-79.

GSP countries accounted for 16 percent ($82.8 million) of total imports under item 740.10 during 1980, compared with 35 percent ($56.9 million) in 1976. Hong Kong was included in the GSP figures for 1976, but lost its GSP status thereafter because of exceeding its competitive-need limit. Since 1977, Israel has been the major source of imports of precious jewelry and related articles from GSP countries. In 1976, imports from Israel were valued at $5.7 million, 3 percent of total imports and 10 percent of GSP imports (table 5). By 1979, Israel's share of total imports was close to 6 percent at

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1/ Plumb gold: A gold alloy of the same fineness as marked, or perhaps with a small tolerance such as 0.003, instead of the half-karat or full-karat (if soldered) tolerances permitted by the National Stamping Act of 1906.

$41.4 million, and its share of GSP imports reached 53 percent. In 1980, imports from Israel amounted to $44.5 million, or 8 percent of total imports and 54 percent of GSP imports. Peru, Thailand, and Mexico were among the larger sources under GSP during 1976-80, with $11.1 million, $6.4 million, and $4.4 million, respectively, in 1980.

Throughout 1976-79, the bulk of the imports under item 740.10 entered under TSUSA item 740.1020, a statistical breakout for all precious metal jewelry. In 1979, precious jewelry imports valued at $719.9 million, or 96 percent of the total, were reported under this provision (table 6). Italy dominated this category during the period; imports from Italy rose from $76.4 million in 1976 to $519.2 million in 1979. Israel headed the list of GSP-eligible countries after 1976. In 1979, precious metal jewelry imports from Israel reached $40.6 million, or 55 percent of GSP imports (table 7).

On the basis of import data collected since April 1, 1980, when changes in the U.S. tariff schedules replaced TSUSA item 740.1020 with four statistical breakouts, percentage allocations have been made and used to estimate import levels for these product groupings for prior years (table 8). The percentage distribution of all groupings under TSUS item 740.10 for 1980 is shown below:

Description and TSUSA item	Estimated share of total imports under TSUS item 740.10 (percent)
Rope necklaces and neck chains almost wholly of gold (740.1010)	2.0
Mixed link necklaces and neck chains almost wholly of gold (740.1015)	.8
Other necklaces and neck chains almost wholly of gold (740.1025)	37.4
Other precious metal jewelry (740.1030)	51.2
Other precious jewelry (740.1040)	1/ 8.6
Total	100.0

1/ Reflects actual imports.

Israel was the primary source of imported rope necklaces and neck chains under item 740.1010 during April-December 1980, with $4 million. Italy was second with $1.9 million, followed by Peru with $1.7 million. Duty-free GSP imports represented $5.6 million of the $7.7 million total, or 72 percent (table 9). Imports of mixed link necklaces and neck chains almost wholly of gold, item 740.1015, reached $3.1 million in the same period. Almost all imports of this style were from Italy, with $2.7 million. Duty-free imports from GSP countries amounted to $90,000, or 3 percent of total imports under this provision (table 10).

Most of the gold necklaces and neck chains imported into the United States were classified under TSUSA item 740.1025. In April-December 1980, imports totaled $152.3 million; Italy was the largest supplier, with

$119.4 million. Israel was the next largest source, with a 12.3-percent share of total imports, or $18.7 million. Duty-free GSP imports amounted to nearly $23 million. Israel was the largest GSP source; Peru was second with $2.8 million (table 11).

Other precious metal jewelry, TSUSA item 740.1030, constituted by far the largest portion of imports under item 740.10. In April-December 1980 such imports amounted to $208.4 million. Italy supplied $79.5 million, Switzerland, $46.5 million and Hong Kong, $32.4 million. Israel was first among GSP countries as duty-free imports from that country amounted to $10.3 million. Peru, Thailand, Mexico, and Portugal each accounted for duty-free imports valued between $1.9 million and $3.0 million. Duty-free GSP imports represented 12 percent of all imports under TSUSA item 740.1030 in April-December 1980 (table 12).

Imports of other precious jewelry, item 740.1040, rose from $13.8 million in 1976 to $45.6 million in 1980 (table 13). Italy dominated the import market from 1976 to 1979, with 1979 imports from that country valued at $17.3 million. In 1980, such imports from Italy fell to $13.1 million, surpassed by imports from Hong Kong, valued at $16.1 million. Mexico was the leading source of GSP imports from 1977 until 1979, when it was surpassed by Thailand, with imports valued at $1.3 million compared with Mexico's $1.1 million (table 14). Israel, previously in third place, was the primary source of these goods in 1980, supplying $2.4 million. Thailand was second with $1.6 million. In 1979, GSP imports accounted for 16 percent of total imports and in 1980, for 17 percent.

A related group of precious jewelry articles not included in the scope of this investigation is unfinished precious metal chain produced in continuous lengths, whether or not cut to specific lengths. These articles are provided for under TSUS item 740.70. U.S. chain manufacturers have imported chain to some extent under this provision to fill out their style lines. The advantage of this type of imported chain is that the manufacturer can manipulate it as he wishes before sale.

From 1976 through 1978, the value of imports under TSUS item 740.70 was somewhat small, and no one country was dominant. Then, between 1978 and 1979, imports rose from $5.4 million to $22.5 million, or by 321 percent (table 15). Israel accounted for $18.3 million of the 1979 total, or 81 percent, compared with $360,000 in 1976, 17 percent of all imports in that year. Even though Israel lost its GSP status for item 740.70 in March 1980, duty-free imports from that country in the first 3 months of 1980 reached $3.7 million; total 1980 imports from Israel amounted to $3.9 million, or 63 percent of imports under item 740.70 in 1980. Total imports under item 740.70 in 1980 fell to $6.1 million, with duty-free imports from GSP-eligible countries providing 75 percent of the total (table 16).

Gold Prices 1/

The price level and volatility of key raw materials is closely tied to the level of production in the precious jewelry industry. According to the industry, once the price of gold began to rise, it became the most important overall factor in determining the level of production within the industry. (Reportedly, about 55 percent of annual gold consumption in the United States is in the manufacture of jewelry.) This was in contrast to earlier conditions, when general business activity, fashions, tastes, and so forth, were generally considered the more important factors. The average annual gold price (per troy ounce) in 1976-80 was as follows:

1976	$125
1977	148
1978	193
1979	304
1980	616

A particularly volatile period occurred in late 1979 and early 1980 when, the average monthly quotations were as follows:

1979:	
October	$375
November	391
December	455
1980:	
January	675
February	665
March	554

The range of daily quotations was $558-$850 in January 1980, $606-$710 in February, and $481-$643 in March; the gold price peaked on January 21 at $850. In the silver market the pattern was similar, with prices on the spot market moving from $7.50 per ounce in March 1979 to $34.50 in March 1980.

Pricing and Marketing

Prices for precious jewelry articles are determined by a combination of factors, among them material costs, methods of distribution, and profit margins. The importance of these and other factors varies with each type of article.

Domestic precious metal chain is priced on the basis of four factors: the cost of raw materials (gold and its alloys, gold-filled stock, and sterling silver), labor costs, overhead, and profit. The cost of the raw materials, gold in particular, is the largest factor, accounting for 60 to 90

1/ London market gold prices.

percent of total production costs. 1/ The labor cost is determined primarily by the style of chain being produced--certain styles are more costly to manufacture because of added processing. After including a factor for overhead costs, most manufacturers add a standard percentage markup. The markup ranges up to 12 percent for karat gold chain and is somewhat higher for gold-filled and sterling silver chain. However, in recent years, as a result of both higher gold prices and increased competition, there has been a downward trend in the markup. Many manufacturers have also begun selling their precious metal chain on a gram or weight basis instead of charging by the item, which has also helped lower the standard percentage markup.

The amount of profit built into the price of a domestic precious metal chain by the time it reaches the consumer depends on the number of distribution channels through which it has moved. U.S. producers of precious metal chain sell the bulk of their production to other manufacturers or wholesalers. However, some of the larger chain companies sell at least part of their product line directly to retailers. This trend appears to be growing, although a few chain manufacturers have expressed concern that they would stand to lose their wholesale business if they attempted to sell directly to retailers on a large scale.

Pricing methods used for imported precious metal chain also vary according to how the chain is purchased. A customer, whether a wholesaler or large retailer, which imports large quantities of chain may choose to order directly from a foreign manufacturer. Where gold chain is concerned, the customer sometimes must pay in advance for the gold needed to manufacture the chain. This eliminates for the manufacturer the cost of financing the gold. Pricing becomes a combination of the cost of raw materials, labor (again, depending on the type of chain), a 2- to 3-percent handling charge for shipping and insurance, plus the actual duty paid, if any, when the finished goods enter the United States.

Another method used for purchasing imported precious metal chain involves importers that function as wholesalers for foreign manufacturers. The importer buys directly from foreign manufacturers and maintains an inventory from which customers make their purchases. Industry sources indicate that these importers work on a margin of approximately 10 percent, in contrast to wholesalers of domestic chain, which operate on margins of about 20 percent. Virtually all imported chain is sold by the gram.

There is a third, though not widespread, method by which some precious metal chain is marketed in the United States: in some instances, foreign manufacturers sell directly to retailers.

Actual price comparisons between domestic and imported precious metal chain are somewhat limited because many people in the industry, especially retailers and wholesalers, maintain that the products are not the same in terms of quality or style. However, there are some fairly similar chain

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1/ Transcript of the hearing, pp. 117-118 and pp. 219-220.

styles. One wholesaler's spring 1981 price list shows the following prices for a popular-selling 15-inch, 14-karat gold, cobra-style chain (based on a price of $600 per ounce): 1/

Domestic chain----------------------------	$15.45
Italian chain-----------------------------	15.45
Israeli chain-----------------------------	14.99

These prices reflect a 20-percent markup over the manufacturers' selling prices. Although the prices for domestic and Italian chain are the same, Israeli chain is usually sold for less because of the duty savings under GSP. Industry sources indicate that the price difference is not equal to the full duty rate (10.6 percent ad valorem) since an additional amount may be charged at the wholesale level to cover the higher rate of defective Israeli chain.

For other precious metal jewelry and jewelry in chief value of precious stones or pearls, domestic manufacturers generally quote retail or "keystone" prices for their products. When selling to retailers or wholesalers, manufacturers sell these articles at half the keystone price, sometimes discounting the price below the keystone level. A manufacturer's markup in determining his wholesale price varies with the product being sold. Indications are that retailers often sell the merchandise above the quoted keystone price, depending on what the market will bear.

Distribution channels for these two segments of the precious jewelry industry are basically the same as those for precious metal chain, although wholesalers are used to a much lower degree. Sales direct to retail stores probably constitute much of the business transacted in these two segments, as many firms, especially those which manufacture class rings and fraternal and military emblems and insignia, employ extensive sales forces to canvass potential purchasers. Imported precious jewelry articles other than precious metal chain are marketed in the United States through the same channels as imported chain.

Conditions of Competition

The growth in the level of imports of precious jewelry and related articles between 1976 and 1979 reflects the popularity of fashion jewelry, especially gold, in the United States at that time. Increased consumer demand for jewelry was fueled by more discretionary income and a larger market as the "baby boom" generation entered the market.

The heaviest competition between imports and domestically produced precious jewelry articles has been in the precious metal chain segment, with Italy as the primary competitor. Style, quality, reliability, and price are the major areas of competition.

1/ During the course of the hearing, a domestic manufacturer stated that Italian chain sells for less than comparable domestic chain. Transcript of the hearing, pp. 113-114.

While most U.S. chain manufacturers believe that U.S. and foreign chain styles, notably Italian, are alike, importers and some retail buyers believe that the style and quality of Italian chain are unavailable from U.S. producers. Italy has a long history of jewelry manufacture, and much of today's technology and experience in precious metal chain manufacture is centered in that country. Perhaps having surpassed the traditional West German chain machines in terms of technological sophistication, Italian machines are now used throughout the world, including in the United States. Italy's technological advantages enable its chain industry to not only adapt quickly to changes in style, but also be the trend setters.

Many U.S. chain producers have been in business for many years and have established reputations for their reliability and quality. Some of these producers maintain that their proximity to the domestic market and quick turnaround time in production give them an edge over imports. It is perhaps in recognition of this advantage that some Italian chain manufacturers are reportedly planning to build production facilities in the United States.

According to industry sources, domestic precious metal chain manufacturers have traditionally been and remain the major source of lightweight chains, known as replacement chains. Such chains are usually used as a means of hanging a pendant. They are different from fashion chains. To date, most imports of chains have been concentrated in the latter category.

Besides Italy, the only other major source of precious metal chain imports is Israel. Israel has been involved in jewelry craftsmanship, primarily handmade jewelry, for the past several decades, and has only recently industrialized its jewelry industry. Efforts are currently under way to expand product lines to include articles of precious jewelry in addition to precious metal chain. There are approximately 200 chain producers in Israel, most of them small. Reportedly, a large portion of the chain made in Israel is handmade. Machine-made precious metal chain from Israel is not considered by either U.S. manufacturers or many importers to be as good in terms of quality as either Italian or U.S. chain. The duty-free advantage of Israeli chain, however, has led some importers to expand their lines in that direction, lower quality being offset by lower price in their view.

In addition to the pricing edge made possible by GSP, sources within the industry indicate that foreign producers have some other pricing advantages over domestic manufacturers. Foreign manufacturers sometimes engage in a cash business where the customer--be it importer or retailer--pays for the product in advance. By contrast, the domestic manufacturer does not demand payment for the chain ordered until 30 days after the order is delivered. During the 90 to 120 days required to manufacture chain and fill an order, plus the 30 days after the order is delivered, the domestic manufacturer must finance all raw-material costs. This extension of credit can, however, be viewed as a service offered by a manufacturer to his customers.

The remaining segments of the precious jewelry industry appear to be somewhat insulated from import competition at the present time. Class rings and fraternal and military emblems and insignia, due to their specialty nature, face little, if any, import competition. Domestic wedding and engagement ring manufacturers compete heavily with one another, but to date have not been troubled by imports because of style and sizing requirements. Earrings and charms manufactured in the United States enjoy a market barely penetrated by imports as a result of the U.S. industry's technological advantage in the stamping manufacturing process. U.S. manufacturers also have an advantage over other countries in the technology of gold-filled jewelry. Virtually all gold-filled jewelry marketed in the United States is produced domestically.

Precious jewelry that is produced by casting methods, probably a small portion of U.S. production, is the most vulnerable to imports. Casting requires much hand work, and high labor costs in the United States might make outside labor sources more attractive. However, much of the casting done in the United States is for limited-quantity, special-design pieces, and it is doubtful that it would be cost effective to have this work done outside the United States.

Position of Interested Parties

For purposes of this report, the staff met with domestic producers and importers of precious jewelry, especially precious metal chain. The following discussion is based on these visits, as well as on oral testimony presented at the Commission's hearing and written briefs submitted to the Commission.

Domestic producers

Nearly all the domestic producers contacted were opposed to the scheduled subdivision, generally on the basis that it could only serve to increase the level of imports of precious jewelry at a time when the domestic industry has already been affected by the general economic conditions and fluctuations in the price of precious metals. The strongest opposition to the scheduled subdivision was voiced by the producers of precious metal chain. All the firms contacted, which together accounted for over half of total domestic chain production, indicated that imports from Italy have already captured a significant share of the U.S. market and that any action that might result in increased imports of gold chain would have a significant adverse impact on their operations. In addition, those firms producing other precious jewelry indicated that while the immediate impact of the scheduled subdivision would primarily concern chain manufacturers, the long-term impact could negatively affect the precious jewelry industry as a whole. Some firms indicated that they would remain competitive despite this concern.

Importers

All the importers contacted were unopposed to the scheduled subdivision. Some of the firms import gold chain exclusively from Italy; they indicated that the gold chain they imported was an entirely different product from that produced domestically in terms of quality and style. These firms indicated that the scheduled subdivision would not result in a significant increase in imports of gold chain because Italy, which is not a GSP country, will continue to be the major source of such chain. A few firms indicated that they have begun to import increased quantities of Israeli gold chain because of lower prices. All interested parties stated that, to date, Israeli chain has generally been of lower quality than that from Italy and the United States.

Probable Economic Effects

The probable economic effects on the domestic precious jewelry industry of the subdivision of item 740.10 of the TSUS for purposes of the GSP will be discussed first in terms of its impact on the entire industry and then in terms of the impact on sectors within the industry. The first sector includes precious metal chain, but concentrates on those necklaces and neck chains almost wholly of gold, since three of the new TSUS items (740.11, 740.12, and 740.13) describe chains only of that type. The second sector covers both precious metal jewelry other than gold necklaces and neck chains (new item 740.14) and jewelry in chief value of precious stones or pearls (new item 740.15). The following analyses address the impact of the subdivision on the level of U.S. imports and on the U.S. industry (including employment). The effect on U.S. consumers is discussed only in terms of the entire precious jewelry industry, as the effects are expected to be the same for both the sectors described above.

Precious jewelry

In the judgment of the Commission, for all precious jewelry, the subdivision of item 740.10 will not have a significant impact on the level of U.S. imports, the domestic industry, or consumers. The subdivision of item 740.10 comes at a time when some firms in the domestic jewelry industry have experienced difficulties due to rising costs of gold, declining consumption, and substantial unemployment. While the subdivision will allow a higher volume of GSP eligible imports, it should not cause any significant worsening of the industry's overall financial condition. It may cause some business uncertainty and could conceivably affect a few domestic firms producing precious metal chain.

The value of imports of precious jewelry rose from $164 million in 1976 (10 percent of apparent consumption) to $750 million in 1979 (24 percent of consumption), and then dropped by 30 percent to $528 million in 1980 (18 percent of consumption). Seventy-five percent of the total value of imports during 1976-80 came from developed countries. In addition, by adding imports from Hong Kong, which lost its GSP eligibility for item 740.10 in 1977, to the total imports from developed countries, the percentage of dutiable imports is increased by approximately 10 percent. Thus, total dutiable imports, which are unaffected by the subdivision, accounted for about 85 percent of the total value of imports during the period. Italy was by far the principal source, accounting for more than half the total in each year during 1976-80.

Imports under the GSP during 1977-80, 1/ though they increased in value by 159 percent, were relatively insignificant, accounting for only 15 percent

1/ Data for 1976 are not included since they include duty-free imports from Hong Kong, which lost its GSP eligiblity in 1977.

of the total value of annual imports. GSP imports rose from $32 million (1.5 percent of consumption) in 1977 to $83 million (2.8 percent of consumption) in 1980. While this upward trend is likely to continue, the subdivision of item 740.10 should not result in GSP imports becoming a significant force in the market-place in the forseeable future. Hong Kong did not regain its eligibility for these products as a result of this subdivision. Israel, a GSP beneficiary before the subdivision and by far the principal source of such imports during 1977-80, lost its GSP status for new item 740.11 (gold rope chain), since it supplied more than half the total value of imports under this classification in 1980. Thus, the rate of increase in GSP imports in 1981 could be reduced.

1976-79 were banner years for precious jewelry sales, as the market rose by 94 percent from $1.6 billion to $3.1 billion. In 1980, however, competition in the domestic market became intense as both producers and importers attempted to cope with the decline of discretionary income, soaring interest rates and particularly high gold prices, each of which combined to cause a decline in total consumption. In their efforts to overcome these negative economic factors and reduce costs, producers, both domestic and foreign, resorted to increased filigree in the manufacture of some items, as well as lowering the gold content in others. In addition, domestic producers increased their output of gold-filled jewelry, a process for which the U.S. has a technological advantage. Also, because of their proximity to the domestic market, U.S. producers were better able to respond to any market changes. Thus, while consumption dropped by 6 percent to less than $3.0 billion in 1980, competition from imports waned, as the value of imports dropped by 30 percent from $750 million in 1979, to $528 million in 1980, while producers' shipments grew by 5 percent, from $2.5 billion to more than $2.6 billion. That employment in the industry dropped from a high of 42,200 in 1978 to an estimated 35,000 in 1980, is more a function of the deteriorating economic conditions, than imports, much less those entered under the GSP. Thus, the subdivision of item 740.10 is expected to have a negligible adverse effect on employment levels in the precious jewelry industry.

Consumers of all types of precious jewelry and related articles are not expected to benefit from the subdivision, as no significant increase in GSP imports is expected.

<u>Precious metal chain of gold</u>

In the judgment of the Commission, the subdivision of item 740.10 will not have a significant impact on the level of U.S. imports of precious metal chain, principally gold; nor will the domestic producers of such chain be adversely affected to a significant degree.

Imports of precious metal necklaces and neck chains, by far the greater part of which were in chief value of gold, increased in each year during 1976-79, rising from an estimated $65.7 million in 1976 (44 percent of domestic consumption) to $316 million in 1979 (56 percent of consumption). However, owing to a number of negative economic factors, principally the high cost of gold, the value of imports dropped by 33 percent in 1980 to an estimated $211.8 million (50 percent of consumption). In 1980, an estimated 83 percent of imports were supplied by developed countries and Hong Kong; this share was believed to be somewhat higher in earlier years. Italy has traditionally been the major supplier of U.S. imports of precious metal chains, accounting for about three-fourths of the total value of imports in 1980. The Italians are recognized as world leaders in this industry because of their innovative styles, high quality and advanced technology. This situation is not expected to change as a result of the subdivision.

Imports of precious metal necklaces and neck chains of gold under the GSP were estimated to have accounted for about 18 percent ($36 million) of the total value of precious metal chain imports in 1980. Israel was the only significant source of GSP imports in 1980, accounting for approximately 79 percent of GSP imports and 14 percent of total imports. However, with the subdivision of item 740.10, Israel lost its GSP status for new item 740.11 (gold rope chain) in 1981 since it supplied more than half the total value of imports under this classification in 1980. Imports from Israel under new item 740.11 accounted for almost one-fifth of its total exports of precious metal necklaces and neck chains of gold to the United States.

It is doubtful that the subdivision of item 740.10 will have an appreciable effect on the future level of imports of precious metal necklaces and neck chains. As mentioned above, imports of precious metal chain are supplied overwhelmingly by developed countries (principally Italy) and Hong Kong, which are unaffected by the subdivision. Thus, while about half of the domestic market for these articles was supplied by imports in 1980, only an estimated $42 million, or 10 percent, was supplied by GSP countries, principally Israel. Israel is currently the only GSP country with the apparent capacity to expand its exports of precious metal chain to a degree that might affect the U.S. market. Even though Israel is not eligible for GSP under new item 740.11, it is possible that chain production could be shifted to the other two new chain categories, items 740.12 and 740.13. However, imported chain from Israel has been lower in quality than that of either the U.S. or Italy, and, while lower in price, the differential has not been great enough to sufficiently stimulate demand for Israeli chain to such an extent to significantly increase its sales in the United States. Furthermore, the general economic conditions of declining discretionary income, high interest rates and high gold prices have resulted in a general drop in demand for chain. In view of these factors, it is not expected that GSP imports, including those from Israel, will increase to such levels as to gain a significantly greater share of the U.S. market in the near future.

U.S. producers' shipments of precious metal chain declined in 1980 to $220 million from an estimated $250 million in 1979, or by 12 percent. At the same time, the domestic market for precious metal chain fell by 24 percent from an estimated $561 million in 1979 to $427 million in 1980. Again, high gold prices and other economic conditions were the major factors causing these declines, not GSP imports. U.S. precious metal chain manufacturers have tried to adjust to these changing economic conditions by producing lighter weight chains and by increasingly shifting their production to gold-filled chain, an area where the U.S. presently enjoys a technological advantage over other countries. The expected expansion in sales of gold-filled chain, with its lower unit cost, could well increase further the share of the domestic market supplied by U.S. firms.

Estimated total employment and that of production and related workers peaked at 2,400 and 2,250 workers, respectively, in 1978 before falling to 2,175 and 2,000 workers, respectively, in 1980, paralleling the decline in the value of producers' shipments. Again, this decline in employment principally reflected deteriorating economic conditions in the United States rather than competition from GSP imports. Nor is it expected that employment levels in the future will be adversely affected to a significant degree by the subdivision of item 740.10.

Other precious metal jewelry and jewelry of precious stones and pearls

The subdivision of item 740.10, in the judgment of the Commission, will not have a significant impact on the level of U.S. imports of other precious metal jewelry and jewelry of precious stones and pearls. Similarly, the domestic producers of these items will not be adversely affected.

The segment of the precious jewelry industry which produces precious metal jewelry other than gold necklaces and neck chains (new item 740.14) and jewelry in chief value of precious stones or pearls (item 740.15) is by far the larger in terms of dollar sales. Together, these two items accounted for more than 90 percent of the total value of producers' shipments and about 60 percent of the total value of imports of precious jewelry during 1976-80.

Aggregate imports of these jewelry items increased from an estimated $98 million in 1976 (6 percent of consumption) to $434 million in 1979 (14 percent of consumption) before declining to $316 million in 1980 (11 percent of consumption). Developed countries and Hong Kong were by far the principal sources of imports, accounting for over 85 percent during 1980.

U.S. manufacturers in this diverse jewelry product area appear to be somewhat insulated from import competition. For example, class rings and fraternal and military emblems and insignia, due to their specialty nature, face little import competition. Domestic wedding and engagement ring manufacturers compete heavily with one another, but to date have not been troubled by imports because of style and sizing requirements. Earrings and charms manufactured in the United States enjoy a market barely penetrated by imports as a result of the U.S. industry's technological advantage in the stamping manufacturing process. In addition, these U.S. manufacturers also have an advantage over other countries in the technology of gold-filled jewelry. Virtually all such jewelry marketed in the United States is produced domestically. Thus, the subdivision of item 740.10 should have no significant impact on this industry segment.

Appendix A

Letters from the Committee on Finance, United States Senate; Commission Notices on the Investigation; and Letter From Counsel for the Manufacturing Jewelers and Silversmiths of America, Inc.

ABRAHAM RIBICOFF, CONN.
HARRY F. BYRD, JR., VA.
GAYLORD NELSON, WIS.
MIKE GRAVEL, ALASKA
LLOYD BENTSEN, TEX.
SPARK M. MATSUNAGA, HAWAII
DANIEL PATRICK MOYNIHAN, N.Y.
MAX BAUCUS, MONT.
DAVID L. BOREN, OKLA.
BILL BRADLEY, N.J.

BOB PACKWOOD, OREG.
WILLIAM V. ROTH, JR., DEL.
J[illegible] DANFORTH, MO.
J[illegible], CHAFEE, R.I.
JO[illegible] HEINZ, PA.
MALCOLM WALLOP, WYO.
DAVID DURENBERGER, MINN.

MICHAEL STERN, STAFF DIRECTOR
ROBERT E. LIGHTHIZER, CHIEF MINORITY COUNSEL

United States Senate

COMMITTEE ON FINANCE

WASHINGTON, D.C. 20510

December 18, 1980

The Honorable
Bill Alberger
Chairman
U.S. International Trade
Commission
701 "E" Street, N.W.
Washington, D.C. 20436

Dear Mr. Chairman:

I hereby request, on behalf of the Committee on Finance, that the International Trade Commission conduct a study pursuant to section 332 of the Tariff Act of 1930 of the economic impact on the domestic jewelry industry of the subdivision of item 740.10 of the Tariff Schedules of the United States for purposes of the Generalized System of Preferences.

The Finance Committee staff will be available to consult with Commission experts on the details of the study. In order to be of greatest use the study should begin not later than January 1, 1981, with a final report to be submitted to the Congress 90 days thereafter.

With every good wish, I am

Sincerely,

Russell B. Long

Chairman

RECEIVED
'80 DEC 22 PM 12 34
OFFICE OF THE CHAIRMAN
U.S.I.T.C.

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OFFICE OF INDUSTRIES

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

[332-122]

STUDY OF THE ECONOMIC IMPACT ON THE DOMESTIC JEWELRY INDUSTRY OF THE SUBDIVISION OF ITEM 740.10 OF THE TARIFF SCHEDULES OF THE UNITED STATES FOR PURPOSES OF THE GENERALIZED SYSTEM OF PREFERENCES

AGENCY: United States International Trade Commission

ACTION: At the request of the Committee on Finance, United States Senate, the Commission has instituted investigation No. 332-122 under section 332(b) of the Tariff Act of 1930 (19 U.S.C. 1332(b)), for the purpose of studying the economic impact on the domestic jewelry industry of the subdivision of item 740.10 of the Tariff Schedules of the United States (TSUS) for purposes of the Generalized System of Preferences. The scheduled subdivision consists of five new TSUS items comparable to the existing 7-digit statistical breaks under TSUS item 740.10.

EFFECTIVE DATE: January 6, 1981

FOR FURTHER INFORMATION CONTACT: Mr. Peter Bodde, General Manufactures Division, Office of Industries, U.S. International Trade Commission, Washington, D.C. 20436 (Telephone 202-724-1730).

SUPPLEMENTAL INFORMATION:

Public Hearing

A public hearing in connection with the investigation will be held in the conference room of the Biltmore Hotel, Kennedy Plaza, Providence, RI on February 19, 1981 beginning at 10:00 a.m. All persons shall have the right to appear by counsel or in person, to present information, and to be heard.

Written submissions

In lieu of or in addition to appearances at the public hearing, interested persons are invited to submit written statements concerning the investigation. Commercial or financial information which a submitter desires the Commission to treat as confidential must be submitted on separate sheets of paper, each clearly marked "Confidential Business Information" at the top. All submissions requesting confidential treatment must conform with the requirements of section 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6). All written submissions, except for confidential business information, will be made available for inspection by interested persons. To be assured of consideration by the Commission, written statements should be submitted at the earliest practicable date, but no later than February 24, 1981. All submissions should be addressed to the Secretary at the Commission's office in Washington, D.C.

By order of the Commission:

Kenneth R. Mason
Secretary

Issued: January 9, 1981

United States Senate

COMMITTEE ON FINANCE

WASHINGTON, D.C. 20510

February 5, 1981

Mr. William R. Alberger
Chairman
United States International Trade Commission
701 E Street, N. W.
Washington, D. C. 20430

Dear Mr. Chairman:

In a letter dated December 18, 1980, the Committee on Finance requested the International Trade Commission to conduct a study under section 332 of the Tariff Act of 1930 of the economic impact on the domestic jewelry industry of the subdivision of item 740.10 of the Tariff Schedules of the United States for purposes of the Generalized System of Preferences. The committee requested that the study be completed within 90 days of January 1, 1981.

If the Commission requires additional time to complete its investigation in order to accommodate the request of the domestic jewelry manufacturers for a postponement of the presently scheduled public hearing, the committee will extend the 90-day time period. Should you have questions concerning this matter please feel free to contact Claud Gingrich (224-4515) of the Committee on Finance staff.

Sincerely yours,

Bob Dole
Chairman

BD/cgm

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KARL D. LOOS (1922-1978)
PRESTON C. KING, JR.
ALEXANDER M. HERON
JULES G. KORNER III
DICKSON R. LOOS
LEWE B. MARTIN
EDGAR T. BELLINGER
JOHN A. WHITNEY
JULIAN B. HERON, JR.
THOMAS A. ROTHWELL, JR.
BARRY ROBERTS
DAVID P. BERNSTEIN
VERONICA A. HAGGART
LESLIE M. SHULMAN
JOSEPH A. VICARIO, JR.
JACK T. FORD
FRANCIS T. LACEY
DAVID H. BAKER
A. DONALD CENNAMO

JOHN P. TEBEAU
OF COUNSEL

MARYLAND OFFICE
22 W. JEFFERSON STREET, SUITE 303
ROCKVILLE, MARYLAND 20850
(301) 424-4210

February 6, 1981

The Honorable Bill Alberger
Chairman
U.S. International Trade Commission
Washington, D.C. 20436

Re: Investigation 332-122
Subdivision of TSUS Item 740.10

Dear Mr. Chairman:

On behalf of the Manufacturing Jewelers and Silversmiths of America, may I say that we sincerely endorse the institution of this investigation. The domestic industry has observed trends in domestic sales and imports of articles included in 740.10 which indicate that this Item should be considered import sensitive. The requested study is indeed extremely significant to the domestic producers of these articles, particularly those producers located in Rhode Island.

As special trade counsel for MJSA, I have met with the staff of the ITC concerning the public hearing, in connection with this study, now scheduled for February 19, 1981 in Providence, Rhode Island. We commend the ITC for its willingness to travel to Providence where the majority of the interested parties are located. We do, however, find that the time frame for preparation for the hearing has become too compressed and the data scheduled to be collected by the ITC is too narrow.

As to the time frame, it was necessary for the segments of the domestic industry to schedule meetings to consider the scope of their participation and to retain counsel to advise and prepare testimony and exhibits. This consumed several weeks and caused a delay in the active preparation for the public hearing.

As to informational data, the questionnaire to be used by the ITC was not available until January 26, 1981. After reviewing this questionnaire, MJSA observed that to best evaluate the impact of the subdivision of Item 740.10 additional data would be helpful such as volume of sales (by fine troy ounces); employment; utilization of capacity; and profit and loss. The MJSA has prepared a supplemental questionnaire to collect this data. In its preparation for the hearing, not only did MJSA send its supplemental questionnaire to some 42 domestic producers but also sent the ITC questionnaire to some 30 domestic producers not covered in the ITC distribution.

Under the circumstances, and in an effort to help produce as comprehensive a study as possible, we respectfully urge that the hearing date be postponed three weeks until sometime after March 9, 1981. This will allow MJSA to more effectively prepare for the public hearing.

While the request of the Finance Committee suggested the ITC complete this study within ninety (90) days, we suggest that if the requested change in the hearing date prevents a report within this time frame that the ITC take a reasonable time after the hearing to complete its study and report.

Sincerely yours,

Lewe B. Martin

Lewe B. Martin

LBM/nlh

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

/332-122/

STUDY OF THE ECONOMIC IMPACT ON THE DOMESTIC JEWELRY INDUSTRY OF THE SUBDIVISION OF ITEM 740.10 OF THE TARIFF SCHEDULES OF THE UNITED STATES FOR PURPOSES OF THE GENERALIZED SYSTEM OF PREFERENCES

AGENCY: United States International Trade Commission

ACTION: As a result of a request of February 5, 1981 from the Senate Committee on Finance to give favorable consideration to any request from domestic interests for an extension of the date for the public hearing for the subject investigation, the Commission has rescheduled the hearing for Investigation No. 332-122 from February 19, 1981 to March 30, 1981. The hearing will be held in the conference room of the Biltmore Hotel, Kennedy Plaza, Providence, RI beginning at 10:00 a.m., e.s.t. All persons shall have the right to appear by counsel or in person, to present information, and to be heard. Requests to appear at the public hearing should be filed with the Secretary, U.S. International Trade Commission, 701 E Street NW., Washington, D.C. 20436 not later than noon, March 24, 1981.

FOR FURTHER INFORMATION CONTACT: Mr. Peter Bodde, General Manufactures Division, Office of Industries, U.S. International Trade Commission, Washington, D.C. 20436 (Telephone 202-724-1730).

SUPPLEMENTAL INFORMATION:

Request for extension

The Commission's initial notice of Investigation No. 332-122 containing information on investigation coverage, the public hearing, and related information, was published in the Federal Register of January 22, 1981 (46 F.R. 7108). On February 5, 1981 the Commission received a Senate Finance Committee request to give favorable consideration to any request by a domestic interest for extension of the date of the public hearing for the investigation. On February 6, 1981 a letter was received from a representative of the domestic jewelry industry requesting that the hearing be postponed three weeks until sometime after March 9, 1981.

Written submissions

In lieu of or in addition to appearances at the public hearing, interested persons are invited to submit written statements concerning the investigation. Commercial or financial information which a submitter desires the Commission to treat as confidential must be submitted on separate sheets of paper, each clearly marked "Confidential Business Information" at the top. All submissions requesting confidential treatment must conform with the requirements of section 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6). All written submissions, except for confidential business information, will be made available for inspection by interested persons. To be ensured of consideration by the Commission, written statements should be submitted at the earliest practicable date, but no later than April 6, 1981 (extended from the original deadline of February 27, 1981). All submissions should be addressed to the Secretary at the Commission's office in Washington, D.C.

By order of the Commission:

Kenneth R. Mason
Secretary

Issued: February 11, 1981

Appendix B

List of Witnesses at the Commission's Public Hearing on the Economic Impact of the Subdivision of Item 740.10

TENTATIVE CALENDAR OF PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's public hearing on the study of the economic impact on the domestic jewelry industry of the subdivision of item 740.10 of the Tariff Schedules of the United States for purposes of the generalized system of preferences, Investigation No. 332-122. Sessions were held in connection with the investigation in the conference room of the Biltmore Hotel, Kennedy Plaza, Providence, Rhode Island, beginning at 10:00 a.m., e.s.t., on March 30, 1981.

Congressional, State and Local Government appearances:

Honorable J. Joseph Garrahy, Governor, State of Rhode Island

Tom Oliveri, on behalf of Honorable John H. Chafee, United States Senator, State of Rhode Island

John A. Cummings, Executive Assistant, on behalf of Honorable Claiborne Pell, United States Senator, State of Rhode Island

James P. Gaffney, Special Assistant, on behalf of Honorable Claudine Schneider, United States Congresswoman, State of Rhode Island

Witness and organization:

Jewelry

Pope, Ballard & Loos--Counsel
Washington, D.C.
on behalf of

The Manufacturing Jewelers & Silversmiths of America, Inc.

George R. Frankovich, Vice President/ Executive Director, Manufacturing Jewelers & Silversmiths of America, Inc.

Anthony Chemel, Vice President, Armbrust Chain Company

C. Max Schweinshaut, President, MS Company

Lewe B. Martin--OF COUNSEL

- more -

Kaplan, Russin & Vecchi--Counsel
Washington, D.C.
on behalf of

Modern Merchandising Co., Famor, Inc. and National Association of Catalog Showroom Merchandisers	Jewelry

Charles Cassar, Merchandise Manager of Modern Merchandising Co.

Leon Farber, President of Famor, Inc.

Jerry Reese, President of the National Association of Catalog Showroom Merchandisers

Julius Kaplan)
Ronald Mitchell)
David Rosenwasser)--OF COUNSEL
Jacob Zamansky)
Dennis James)

William Greenberg, Vice President, Mercury Products Corporation, Lincoln, Rhode Island	Jewelry
Herbert Kaplan, President of Automatic Chain Company, Providence, Rhode Island	Jewelry

Appendix C

Excerpts from the Tariff Schedules of the United States Annotated (1981)

1. Tariff Treatment of Imported Articles. All articles imported into the customs territory of the United States from outside thereof are subject to duty or exempt therefrom as prescribed in general headnote 3.

2. Customs Territory of the United States. The term "customs territory of the United States", as used in the schedules, includes only the States, the District of Columbia, and Puerto Rico.

3. Rates of Duty. The rates of duty in the "Rates of Duty" columns numbered 1 and 2 and the column designated LDDC of the schedules apply to articles imported into the customs territory of the United States as hereinafter provided in this headnote:

(a) Products of Insular Possessions.

(i) Except as provided in headnote 6 of schedule 7, part 2, subpart E, and except as provided in headnote 3 of schedule 7, part 7, subpart A, articles imported from insular possessions of the United States which are outside the customs territory of the United States are subject to the rates of duty set forth in column numbered 1 of the schedules, except that all such articles the growth or product of any such possession, or manufactured or produced in any such possession from materials the growth, product, or manufacture of any such possession or of the customs territory of the United States, or of both, which do not contain foreign materials to the value of more than 50 percent of their total value (or more than 70 percent of their total value with respect to watches and watch movements), coming to the customs territory of the United States directly from any such possession, and all articles previously imported into the customs territory of the United States with payment of all applicable duties and taxes imposed upon or by reason of importation which were shipped from the United States, without remission, refund, or drawback of such duties or taxes, directly to the possession from which they are being returned by direct shipment, are exempt from duty.

(ii) In determining whether an article produced or manufactured in any such insular possession contains foreign materials to the value of more than 50 percent, no material shall be considered foreign which, at the time such article is entered, may be imported into the customs territory from a foreign country, other than Cuba or the Philippine Republic, and entered free of duty.

(iii) Subject to the limitations imposed under section 503(b) and 504(c) of the Trade Act of 1974, articles designated eligible articles under section 503 of such Act which are imported from an insular possession of the United States shall receive duty treatment no less favorable than the treatment afforded such articles imported from a beneficiary developing country under title V of such Act.

(b) Products of Cuba. Products of Cuba imported into the customs territory of the United States, whether imported directly or indirectly, are subject to the rates of duty set forth in column numbered 1 of the schedules. Preferential rates of duty for such products apply only as shown in the said column 1. 1/

1/ By virtue of section 401 of the Tariff Classification Act of 1962, the application to products of Cuba of either a preferential or other reduced rate of duty in column 1 is suspended. See general headnote 3(f), infra.

(c) Products of Countries Designated Beneficiary Developing Countries for Purposes of the Generalized System of Preferences (GSP).

(i) The following countries and territories are designated beneficiary developing countries for purposes of the Generalized System of Preferences, provided for in Title V of the Trade Act of 1974 (88 Stat. 2066, 19 U.S.C. 2461 et seq.):

Independent Countries 2/

Angola	Maldives
Argentina	Mali
Bahamas	Malta
Bahrain	Mauritania
Bangladesh	Mauritius
Barbados	Mexico
Benin	Morocco
Bhutan	Mozambiqui
Bolivia	Nauru
Botswana	Nepal
Brazil	Nicaragua
Burma	Niger
Burundi	Oman
Cameroon	Pakistan
Cape Verde	Panama
Central African Republic	Papua New Guinea
Chad	Paraguay
Chile	Peru
Colombia	Philippines
Comoros	Portugal
Congo	Romania
Costa Rica	Rwanda
Cyprus	Saint Lucia
Djibouti	Saint Vincent and the Grenadines
Dominica	Sao Tome and Principe
Dominican Republic	Senegal
Ecuador	Seychelles
Egypt	Sierra Leone
El Salvador	Singapore
Equatorial Guinea	Somalia
Fiji	Sri Lanka
Gambia	Sudan
Ghana	Surinam
Grenada	Swaziland
Guatemala	Syria
Guinea	Taiwan
Guinea Bissau	Tanzania
Guyana	Thailand
Haiti	Togo
Honduras	Tonga
India	Trinidad and Tabago
Indonesia	Tunisia
Israel	Turkey
Ivory Coast	Tuvalu
Jamaica	Uganda
Jordan	Upper Volta
Kenya	Uruguay
Kiribati	Venezuela
Korea, Republic of	Western Samoa
Lebanon	Yemen (Sana)
Lesotho	Yugoslavia
Liberia	Zaire
Malagasy Republic	Zambia
Malawi	
Malaysia	

2/ Pursuant to section 4(b)(1) of the Taiwan Relations Act (22 U.S.C. 3303(b)(1)) the reference to countries includes Taiwan.

Non-Independent Countries & Territories

Antigua
Belize
Bermuda
British Indian Ocean Territory
British Solomon Islands
Brunei
Cayman Islands
Christmas Island (Australia)
Cocos (Keeling) Islands
Cook Islands
Falkland Islands (Islas Malvinas)
French Polynesia
Gibraltar
Heard Island and McDonald Islands
Hong Kong
Macao
Montserrat
Netherlands Antilles
New Caledonia
New Hebrides Condominium
Niue
Norfolk Island
Pitcairn Islands
Saint Christopher-Nevis-Anguilla
Saint Helena
Southern Rhodesia (Zimbabwe)
Tokelau Islands
Trust Territory of the Pacific Islands
Turks and Caicos Islands
Virgin Islands, British
Wallis and Futuna Islands
Western Sahara

(ii) Articles for which the designations "A" or "A*" appear in the column entitled "GSP" of the schedules are those designated by the President to be eligible articles for purposes of the GSP pursuant to Section 503 of the Trade Act of 1974. The designation "A" signifies that all beneficiary developing countries are eligible for preferential treatment with respect to all articles provided for in the designated TSUS item, while the designation "A*" indicates that certain beneficiary developing countries, specifically enumerated in subdivision (c)(iii) of this headnote, are not eligible for such preferential treatment with regard to any article provided for in the designated TSUS item. Whenever an eligible article is imported into the customs territory of the United States directly from a country or territory listed in subdivision (c)(i) of this headnote, it shall receive duty-free treatment, unless excluded from such treatment by subdivision (c)(iii) of this headnote, provided that, in accordance with regulations promulgated by the Secretary of the Treasury the sum of (A) the cost or value of the materials produced in the beneficiary developing country or any 2 or more countries which are members of the same association of countries which is treated as one country under section 502(a)(3) of the Trade Act of 1974, plus (B) the direct costs of processing operations performed in such beneficiary developing country or such member countries is not less than 35 percent of the appraised value of such article at the time of its entry into the customs territory of the United States.

(iii) The following designated eligible articles provided for in TSUS item numbers preceded by the designation "A*", if imported from a beneficiary developing country set opposite the TSUS item numbers listed below, are not entitled to the duty-free treatment provided for in subdivision (c)(ii) of this headnote:

TSUS item Number	Country or territory 1/
107.80	Argentina
114.04	Thailand
114.06	Thailand
121.55	India
121.62	India
135.30	Mexico
135.90	Mexico
136.00	Dominican Republic
136.30	Mexico
136.80	Mexico
137.40	Mexico
137.71	Mexico
138.05	Mexico
140.21	Mexico
141.70	Taiwan
141.77	Mexico
146.12	Argentina
146.22	Turkey
146.44	Philippines
147.98	Mexico
148.12	Mexico
148.19	Mexico
148.27	Mexico
148.72	Chile
149.50	Mexico
155.20	Brazil Dominican Republic Philippines
155.35	Dominican Republic
156.40	Brazil
176.15	Brazil
176.17	Philippines
192.21	Colombia
192.45	Israel
192.85	Mexico
200.91	Honduras
202.62	Mexico
204.30	Mexico
206.47	Taiwan
206.50	Honduras
206.60	Mexico
206.98	Taiwan
220.20	Portugal
220.25	Portugal
220.48	Portugal
222.10	Hong Kong
240.02	Philippines
240.10	Brazil
240.19	Taiwan
245.20	Brazil
256.60	Republic of Korea
256.87	
308.35	Hong Kong
315.25	Mexico
319.01	India
319.05	India
360.35	India
389.61	Hong Kong
419.60	Chile
420.82	Israel
422.76	Mexico
425.84	Netherlands Antilles
425.86	Brazil
428.34	Brazil
437.64	Brazil
473.52	Mexico
473.56	Mexico
511.31	Mexico
516.71	India
517.24	Malagasy Republic
518.41	Mexico
520.35	Thailand
522.21	Mexico
532.31	Mexico
534.94	Taiwan
535.31	Mexico
545.53	Mexico
545.65	Mexico
545.85	Taiwan
603.40	Chile
603.50	Chile
612.03	Peru
612.06	Chile Peru
618.15	Venezuela
622.40	Brazil
648.97	Taiwan
650.89	Hong Kong
651.13	Hong Kong
651.21	Taiwan
652.84	Mexico
653.47	Taiwan
653.48	Taiwan
653.85	Taiwan
653.93	Taiwan
654.07	Taiwan
654.12	Taiwan
657.24	Taiwan
660.42	Brazil
660.48	Mexico
662.35	Mexico
674.35	Taiwan
676.20	Hong Kong
676.52	Hong Kong Mexico
678.50	Hong Kong Republic of Korea Taiwan
682.60	Mexico
683.15	Mexico

1/ Pursuant to section 4(b)(1) of the Taiwan Relations Act (22 U.S.C. 3303(b)(1)) the reference to countries includes Taiwan.

TARIFF SCHEDULES OF THE UNITED STATES ANNOTATED (1981)

GENERAL HEADNOTES AND RULES OF INTERPRETATION

TSUS item Number	Country or territory1/	TSUS item Number	Country or territory1/
683.70	Hong Kong	734.10	Taiwan
683.80	Hong Kong	734.15	Taiwan
684.15	Singapore	734.20	Hong Kong
684.20	Hong Kong	734.25	Hong Kong
684.50	Hong Kong	734.34	Hong Kong
684.70	Taiwan	734.51	Taiwan
685.24	Hong Kong, Republic of Korea, Singapore, Taiwan	734.56	Haiti
		734.87	Taiwan
		734.90	Taiwan
		735.07	Republic of Korea
685.40	Taiwan	735.09	Taiwan
685.90	Mexico	735.20	Taiwan
686.24	El Salvador	737.25	Taiwan
686.30	Taiwan	737.30	Republic of Korea
686.50	Mexico	737.45	Hong Kong
687.30	Malaysia	737.50	Hong Kong
688.10	Taiwan	737.60	Hong Kong
688.12	Mexico	737.80	Hong Kong
688.15	Mexico	737.95	Hong Kong, Taiwan
688.35	Republic of Korea		
688.45	Hong Kong	740.10	Hong Kong
692.32	Brazil, Mexico	740.30	Hong Kong
		740.34	Hong Kong
696.10	Taiwan	740.70	Israel
696.35	Taiwan	741.25	Hong Kong
702.14	Republic of Korea	750.05	Hong Kong
702.47	Mexico	750.35	Taiwan
703.65	Mexico	751.05	Taiwan
703.75	Mexico	755.25	Hong Kong
706.40	Hong Kong	771.45	Taiwan
709.40	Hong Kong	772.03	Hong Kong
713.15	Mexico	772.35	Taiwan
722.44	Hong Kong	772.51	Republic of Korea
725.08	Republic of Korea	772.97	Hong Kong
725.32	Taiwan	774.45	Hong Kong
725.46	Republic of Korea	790.25	Philippines
726.90	Mexico	790.39	Taiwan
727.15	Taiwan	790.70	Republic of Korea
727.23	Republic of Korea	792.50	Philippines
727.35	Taiwan	792.60	Hong Kong
730.29	Brazil	792.75	Hong Kong
730.41	Brazil		

(d) Products of Least Developed Developing Countries.

(i) The following countries are designated least developed developing countries (LDDC's) and, subject to restrictions of subparagraph (ii), products of such countries imported into the customs territory of the United States, whether imported directly or indirectly, and which are entered under TSUS item numbers for which rates of duty appear in the column entitled "LDDC" of the schedules, are eligible for full tariff reductions without staging in accordance with Section 503(a)(2)(A) of the Trade Agreements Act of 1979 (93 Stat. 251):

Bangladesh	Malawi
Benin	Maldives
Bhutan	Mali
Botswana	Nepal
Burundi	Niger
Cape Verde	Rwanda
Central African Republic	Somalia
Chad	Sudan
Comoros	Tanzania
Gambia	Uganda
Guinea	Upper Volta
Haiti	Western Samoa
Lesotho	Yemen (Sana)

(ii) Imported articles, the products of least developed developing countries as designated in paragraph (i) above, provided for under the TSUS items for which rates of duty appear in the column entitled "LDDC" of the schedules, and which are not entitled to duty-free treatment under subdivision (c) of this headnote, are subject to those rates of duty rather than the rates of duty provided for in column numbered 1, except that articles subject to temporary modifications under any provisions of the Appendix to these schedules shall be subject to the rates of duty set forth therein. If no rate of duty is provided in the "LDDC" column for a particular item, the rate of duty provided in column numbered 1 shall apply.

(e) Products of Canada.

(i) Products of Canada imported into the customs territory of the United States, whether imported directly or indirectly, are subject to the rates of duty set forth in column numbered 1 of the schedules. The rates of duty for a Canadian article, as defined in subdivision (e)(ii) of this headnote, apply only as shown in the said column numbered 1.

(ii) The term "Canadian article", as used in the schedules, means an article which is the product of Canada, but does not include any article produced with the use of materials imported into Canada which are products of any foreign country (except materials produced within the customs territory of the United States), if the aggregate value of such imported materials when landed at the Canadian port of entry (that is, the actual purchase price, or if not purchased, the export value, of such materials, plus, if not included therein, the cost of transporting such materials to Canada but exclusive of any landing cost and Canadian duty) was --

(A) with regard to any motor vehicle or automobile truck tractor entered on or before December 31, 1967, more than 60 percent of the appraised value of the article imported into the customs territory of the United States; and

(B) with regard to any other article (including any motor vehicle or automobile truck tractor entered after December 31, 1967), more than 50 percent of the appraised value of the article imported into the customs territory of the United States.

(f) Products of Communist Countries. Notwithstanding any of the foregoing provisions of this headnote, the rates of duty shown in column numbered 2 shall apply to products, whether imported directly or indirectly, of the following countries and areas pursuant to section 401 of the Tariff Classification Act of 1962, to section 231 or 257(e)(2) of the Trade Expansion Act of 1962, or to action taken by the President thereunder: 2/

1/ Pursuant to section 4(b)(1) of the Taiwan Relations Act (22 U.S.C. 3303(b)(1)) the reference to countries includes Taiwan.

2/ In Proclamation 4697, dated October 23, 1979, the President, acting under authority of section 404(a) of the Trade Act of 1974 (88 Stat. 1978) amended general headnote 3(f) by deleting "China (any part of which may be under Communist domination or control)" and "Tibet", effective February 1, 1980, the date on which written notices of acceptance were exchanged, following adoption on January 24, 1980 by the Congress of a concurrent resolution of approval extending nondiscriminatory treatment to the products of the People's Republic of China.

Appendix D

Statistical Tables

Table 1.--Precious jewelry and related articles: U.S. producers' shipments, exports of domestic merchandise, imports for consumption, and apparent consumption, 1976-80

Year	Producers' shipments	Exports 1/	Imports	Apparent consumption	Ratio of imports to consumption
	Million dollars				Percent
1976	1,528	79	164	1,613	10
1977	1,908	81	291	2,118	14
1978	2,257	107	517	2,667	19
1979	1/ 2,500	114	750	1/ 3,136	1/ 24
1980	1/ 2,625	194	528	1/ 2,959	1/ 18

1/ Estimated.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Producers' shipments includes all precious jewelry and related articles under SIC 3911, of which articles under TSUS item 740.10 constitute all but a negligible amount. Import and export figures reflect articles found in item 740.10 only.

Table 2.--Necklaces and neck chains of precious metals: U.S. producers' shipments, exports of domestic merchandise, imports for consumption, and apparent consumption, 1976-80

Year	Producers' shipments 1/	Exports 2/	Imports 3/	Apparent consumption 4/	Ratio of imports to consumption 4/
	Million dollars				Percent
1976	87	1.7	65.7	151.0	44
1977	136	2.7	121.6	254.9	48
1978	188	3.8	217.6	401.8	54
1979	250	5.0	316.0	561.0	56
1980	220	4.4	211.8	427.4	50

1/ Data on producers' shipments include necklaces and neck chains of silver, which accounted for approximately 20 percent of total shipments in 1976, 15 percent during 1977, 11 percent during 1978, and 5 to 10 percent during 1979 and 1980.
2/ Estimated on the basis of information from industry sources.
3/ Estimated on the basis of official statistics of the U.S. Department of Commerce.
4/ Estimated.

Table 3.--Precious jewelry and related articles (TSUS item 740.10): U.S. exports of domestic merchandise, by principal markets, 1976-80 1/

(In thousands of dollars)

Market	1976	1977	1978	1979	1980
Switzld.....	55,790	48,306	69,153	53,301	105,273
France......	2,112	5,210	3,075	11,795	3,499
Mexico......	562	515	1,580	9,559	5,598
Japan.......	3,442	4,847	6,364	9,363	9,268
Hg Kong.....	2,142	3,398	6,411	8,250	23,230
Canada......	4,717	5,402	4,093	4,816	5,632
U King......	945	2,677	2,975	4,027	5,033
FR Germ.....	1,034	1,720	2,734	2,763	3,674
All other...	8,571	8,980	10,915	10,072	32,370
Total...	79,314	81,055	107,301	113,947	193,578

1/ Export data has been estimated for TSUS item 740.10, as there is no corresponding Schedule B number.

Source: Compiled from official statistics of the U.S. Department of Commerce.

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Table 4.--Precious jewelry and related articles (TSUS item 740.10): U.S. imports for consumption by principal sources, 1976-80

(In thousands of dollars)

Source	1976	1977	1978	1979	1980
Italy	80,879	181,653	344,813	536,451	279,170
Hg Kong	36,505	39,792	47,098	51,826	61,729
Israel	5,718	12,919	32,945	41,403	44,490
Switzld	7,054	11,372	22,472	33,430	60,303
Spain	4,299	7,419	11,733	12,886	9,086
FR Germ	4,288	4,903	6,815	10,060	9,135
Peru	64	84	82	7,617	11,120
France	3,517	5,947	7,443	6,763	8,831
All other	21,256	27,020	43,368	49,848	44,194
Total	163,580	291,109	516,769	750,284	528,058

Source: Compiled from official statistics of the U.S. Department of Commerce.

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Table 5.--Precious jewelry and related articles (TSUS item 740.10): U.S. imports by certain world areas including designated GSP countries, 1976-80

Item	1976	1977	1978	1979	1980	Jan.-Dec. 1980 percentage distribution
	Quantity (number)					
Gross imports	0	0	0	0	0	0
26 developed ctries, total	0	0	0	0	0	0
GSP countries, total	0	0	0	0	0	0
Hg Kong	0	0	0	0	0	0
Israel	0	0	0	0	0	0
Peru	0	0	0	0	0	0
Mexico	0	0	0	0	0	0
Thailnd	0	0	0	0	0	0
Portugl	0	0	0	0	0	0
Singapr	0	0	0	0	0	0
Brazil	0	0	0	0	0	0
Other GSP	0	0	0	0	0	0
Other	0	0	0	0	0	0
	Value (1,000 dollars)					
Gross imports	163,580	291,109	516,769	750,284	528,058	100
Developed ctries, total 1/	101,909	243,716	445,048	656,874	434,185	82
GSP countries, total	56,864	39,235	59,022	78,164	82,760	16
Hg Kong	36,505	2/ 7,474	2/	2/	2/	2/
Israel	5,718	12,919	32,945	41,403	44,490	8
Peru	64	84	82	7,617	11,120	2
Mexico	5,844	5,837	6,275	6,554	4,354	.8
Thailnd	2,214	4,196	5,950	6,344	6,380	1.2
Portugl	518	1,119	1,809	3,576	3,968	.8
Singapr	111	643	1,099	1,914	2,227	3/
Brazil	881	672	2,941	1,755	2,006	3/
Other GSP	5,007	6,291	7,921	9,001	8,214	2
Other	4,807	8,157	12,700	15,246	11,113	2

1/ Beginning with March of 1977, this total includes imports from Hong Kong.
2/ Hong Kong lost its GSP eligibility in March of 1977; GSP imports from Hong Kong for 1977 reflect only 2 months of trade.
3/ Less than 0.5 percent.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 6.--Precious metal jewelry (TSUSA item 740.1020): U.S. imports for consumption, by principal sources, 1976-79

(In thousands of dollars)

Source	1976	1977	1978	1979	1980 1/
Italy	76,435	177,255	335,836	519,169	
Hg Kong	34,714	38,079	43,517	47,087	
Israel	4,973	12,311	32,342	40,598	
Switzld	6,455	10,788	22,012	32,544	
Spain	3,283	5,758	10,969	12,423	
FR Germ	3,589	4,525	6,535	9,587	
Peru	57	76	58	7,566	
France	3,421	5,798	7,265	6,518	
All other	16,841	22,483	37,185	44,395	
Total	149,767	277,072	495,720	719,888	

1/ These data have not been included, as TSUSA item 740.1020 was replaced on April 1, 1980 by four new statistical breaks.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 7.--Precious metal jewelry (TSUSA item 740.1020): U.S. imports by certain world areas including designated GSP countries, 1976-79 and January-March 1980 1/

Item	1976	1977	1978	1979	Jan.-Mar. 1980	Jan.-Dec. 1980 percentage distribution
	Quantity (number)					
Gross imports	0	0	0	0	0	0
26 developed ctries, total	0	0	0	0	0	0
GSP countries, total	0	0	0	0	0	0
Hg Kong	0	0	0	0	0	0
Israel	0	0	0	0	0	0
Peru	0	0	0	0	0	0
Mexico	0	0	0	0	0	0
Thailnd	0	0	0	0	0	0
Portugl	0	0	0	0	0	0
Brazil	0	0	0	0	0	0
Yugoslv	0	0	0	0	0	0
Other GSP	0	0	0	0	0	0
Other	0	0	0	0	0	0
	Value (1,000 dollars)					
Gross imports	149,767	277,072	495,720	719,888	110,862	100
Developed ctries, total 2/	95,249	236,141	430,195	632,083	91,215	82
GSP countries, total	50,855	34,578	53,819	73,328	17,761	16
Hg Kong	34,714	3/ 6,878	3/	3/	3/	3/
Israel	4,973	12,311	32,342	40,598	8,707	8
Peru	57	76	58	7,566	3,380	3
Mexico	4,408	4,756	4,585	5,466	1,142	1
Thailnd	1,700	3,519	5,054	5,081	997	.9
Portugl	485	1,068	1,705	3,421	1,145	1
Brazil	854	660	2,904	1,726	659	.6
Yugoslv	837	1,394	1,531	1,690	216	4/
Other GSP	2,827	3,916	5,638	7,778	1,515	1.4
Other	3,663	6,353	11,707	14,476	1,886	2

1/ TSUSA item 740.1020 was replaced on April 1, 1980 by four new statistical breaks.

2/ Beginning with March of 1977, this total includes imports from Hong Kong.

3/ Hong Kong lost its GSP eligibility in March of 1977; GSP imports from Hong Kong for 1977 reflect only 2 months of trade.

4/ Less than 0.5 percent.

Source: Compiled from official statistics of the U.S. Department of Commerce.

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Table 8.--Precious jewelry: U.S. imports for consumption, by TSUSA items, 1976-80 1/

(In thousands of dollars)

Description and TSUSA item No.	1976	1977	1978	1979	1980
Rope necklaces and neck chains almost wholly of gold (740.1010)	3,145	5,818	10,410	15,117	10,072
Mixed link necklaces and neck chains, almost wholly of gold (740.1015)	1,198	2,217	3,965	5,759	4,016
Other necklaces and neck chains almost wholly of gold (740.1025)	61,405	113,600	203,245	295,154	197,716
Other precious metal jewelry (740.1030)	84,019	155,437	278,099	403,857	270,621
Jewelry of precious stones or pearls (740.1040)	13,813	14,037	21,050	30,397	45,633
	163,580	291,109	516,769	750,284	528,058

1/ Data for TSUSA items 740.1010, 740,1015, 740.1025, and 740.1030, are estimated on the basis of official statistics of the U.S. Department of Commerce for April-December 1980. Data for TSUSA item 740.1040 are based on actual Department of Commerce figures.

Table 9.--Rope necklaces and neck chains almost wholly of gold (TSUSA item 740.1010): U.S. imports for consumption, by sources eligible and ineligible for GSP treatment, April-December 1980

(In thousands of dollars)

Source	Imports under GSP provision	Other imports	Total
Eligible for GSP:			
Israel	3,891	120	4,011
Peru	1,646	66	1,712
Yugoslavia	14	-	14
Thailand	1	1	2
Brazil	1	-	1
Dominican Republic	-	73	73
Subtotal	5,553	260	5,813
Ineligible for GSP:			
Italy	-	1,886	1,886
West Germany	-	42	42
Spain	-	1	1
Switzerland	-	1	1
Australia	-	1	1
All other	-	1	1
Subtotal	-	1,932	1,932
Total	5,553	2,192	7,744

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Because of rounding, figures may not add to the totals shown.

Table 10.--Mixed link necklaces and neck chains alsmost wholly of gold (TSUSA item 740.1015): U.S. imports for consumption, by sources eligible and ineligible for GSP treatment, April-December 1980

(In thousands of dollars)

Source	Imports under GSP provision	Other imports	Total
Eligible for GSP:			
Israel	53	-	53
Portugal	24	-	24
Malaysia	7	-	7
Thailand	3	8	11
Yugoslavia	1	-	1
Taiwan	1	-	1
Subtotal	90	8	97
Ineligible for GSP:			
Italy	-	2,729	2,729
West Germany	-	198	198
France	-	48	48
Spain	-	38	38
Hong Kong	-	14	14
Switzerland	-	2	2
China	-	1	1
Netherlands Antilles	-	1	1
Subtotal	-	3,031	3,031
Total	90	3,039	3,129

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Because of rounding, figures may not add to the totals shown.

Table 11.--Other necklaces and neck chains almost wholly of gold (TSUSA item 740.1025): U.S. imports for consumption, by sources eligible and ineligible for GSP treatment, April-December 1980

(In thousands of dollars)

Source	Imports under: GSP provision	Other imports	Total
Eligible for GSP:			
Israel	18,420	290	18,710
Peru	2,803	1	2,804
Thailand	542	84	626
Mexico	364	2	366
Lebanon	212	3	215
Portugal	210	-	210
Brazil	84	23	107
Yugoslavia	68	142	210
All other	132	164	296
Subtotal	22,834	709	23,544
Ineligible for GSP:			
Italy	-	119,385	119,385
Spain	-	2,337	2,337
Hong Kong	-	1,814	1,814
West Germany	-	1,468	1,468
Switzerland	-	1,282	1,282
France	-	1,110	1,110
Japan	-	426	426
Canada	-	386	386
All other	-	512	512
Subtotal	-	128,720	128,720
Total	22,834	129,429	152,263

Source: Compiled from official statistics of the U.S. Department of Commerce.

Note.--Because of rounding, figures may not add to the totals shown.

Table 12.--Other precious metal jewelry (TSUSA item 740.1030): U.S. imports for consumption, by sources eligible and ineligible for GSP treatment, April-December 1980

(In thousands of dollars)

Source	Imports under GSP provision	Other imports	Total
Eligible for GSP:			
Israel	10,288	348	10,636
Peru	3,021	12	3,033
Thailand	2,982	210	3,192
Mexico	2,118	26	2,144
Portugal	1,933	200	2,133
Lebanon	1,274	54	1,328
Brazil	1,130	51	1,181
Singapore	853	82	935
All other	1,808	1,106	2,914
Subtotal	25,407	2,089	27,496
Ineligible for GSP:			
Italy	-	79,475	79,475
Switzerland	-	46,516	46,516
Hong Kong	-	32,427	32,427
West Germany	-	5,016	5,016
Spain	-	4,381	4,381
France	-	4,178	4,178
Japan	-	2,385	2,385
United Kingdom	-	1,777	1,777
All other	-	4,776	4,776
Subtotal	-	180,931	180,931
Total	25,407	183,020	208,427

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 13.--Other precious jewelry (TSUSA item 740.1040): U.S. imports for consumption, by principal sources, 1976-80

(In thousands of dollars)

Source	1976	1977	1978	1979	1980
Italy	4,444	4,398	8,977	17,282	13,147
Hg Kong	1,791	1,712	3,581	4,739	16,101
Thailnd	514	678	896	1,263	1,553
Mexico	1,437	1,082	1,690	1,088	703
Switzld	598	584	460	886	1,327
Israel	745	608	603	805	2,372
Singapr	41	376	562	605	1,073
FR Germ	699	378	280	473	1,008
All other	3,543	4,220	4,000	3,255	8,348
Total	13,813	14,037	21,050	30,397	45,633

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 14--Other precious jewelry (TSUSA item 740.1040): U.S. imports by certain world areas including designated GSP countries, 1976-80

Item	1976	1977	1978	1979	1980	Jan.-Dec. 1980 percentage distribution
	Quantity (number)					
Gross imports	0	0	0	0	0	0
26 developed ctries, total	0	0	0	0	0	0
GSP countries, total	0	0	0	0	0	0
Hg Kong	0	0	0	0	0	0
Thailnd	0	0	0	0	0	0
Mexico	0	0	0	0	0	0
Israel	0	0	0	0	0	0
Singapr	0	0	0	0	0	0
Taiwan	0	0	0	0	0	0
Portugl	0	0	0	0	0	0
Jamaica	0	0	0	0	0	0
Other GSP	0	0	0	0	0	0
Other	0	0	0	0	0	0
	Value (1,000 dollars)					
Gross imports	13,813	14,037	21,050	30,397	45,633	100
Developed ctries, total 1/	6,660	7,575	24,631	24,790	36,952	81
GSP countries, total	6,009	4,659	5,203	4,836	7,787	17
Hg Kong	1,791	2/ 596	2/	2/	2/	2/
Thailnd	514	678	896	1,263	1,553	3
Mexico	1,437	1,082	1,690	1,088	703	1.5
Israel	745	608	603	805	2,372	5
Singapr	41	376	562	605	1,073	2
Taiwan	446	560	589	270	305	.7
Portugl	33	51	103	155	456	1
Jamaica	138	101	83	137	23	3/
Other GSP	863	607	677	513	1,301	3
Other	1,144	1,804	993	770	894	2

1/ Beginning with March of 1977, this total includes imports from Hong Kong.
2/ Hong Kong lost its GSP eligibility on March of 1977; GSP imports from Hong Kong for 1977 reflect only 2 months of trade.
3/ Less than 0.5 percent.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 15.--Rope, curb, cable, chain, and similar articles of precious metals produced in continuous lengths, whether or not cut to specific lengths, suitable for use in the manufacture of jewelry (TSUS item 740.70): U.S. imports for consumption, by principal sources, 1976-80

(In thousands of dollars)

Source	1976	1977	1978	1979	1980
Israel	360	1,046	1,403	18,307	3,858
Italy	581	1,390	1,815	2,059	848
Yugoslv	934	1,111	1,067	756	757
FR Germ	143	113	330	318	385
Spain	53	34	117	261	42
Canada	22	116	236	231	16
Colomb	1/	55	1/	135	1/
Dom Rep	1/	1/	22	126	1/
All other	69	200	361	326	219
Total	2,161	4,067	5,351	22,518	6,125

1/ Less than 500.

Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 16.--Rope, curb, cable, chain, and similar articles of precious metals produced in continuous lengths, whether or not cut to specific lengths, suitable for use in the manufacture of jewelry (TSUS item 740.70): U.S. imports by certain world areas including designated GSP countries, 1976-80

Item	1976	1977	1978	1979	1980	Jan.-Dec. 1980 percentage distribution
	Quantity (number)					
Gross imports	0	0	0	0	0	0
26 developed ctries, total	0	0	0	0	0	0
GSP countries, total	0	0	0	0	0	0
Israel	0	0	0	0	0	0
Yugoslv	0	0	0	0	0	0
Colomb	0	0	0	0	0	0
Dom Rep	0	0	0	0	0	0
Portugl	0	0	0	0	0	0
Peru	0	0	0	0	0	0
Hg Kong	0	0	0	0	0	0
Lebanon	0	0	0	0	0	0
Other GSP	0	0	0	0	0	0
Other	0	0	0	0	0	0
	Value (1,000 dollars)					
Gross imports	2,161	4,067	5,351	22,518	6,125	100
Developed ctries, total	762	1,645	2,422	2,688	1/ 1,506	24
GSP countries, total	1,339	2,375	2,810	19,555	4,578	75
Israel	360	1,046	1,403	18,307	3/ 3,712	61
Yugoslv	934	1,111	1,067	756	757	12
Colomb	-	55	-	135	-	-
Dom Rep	-	-	22	126	-	-
Portugl	21	100	90	100	10	4/
Peru	2/	-	-	76	19	4/
Hg Kong	7	4	32	27	8	4/
Lebanon	-	-	11	22	25	4/
Other GSP	17	59	184	8	47	.8
Other	60	47	119	275	42	1

1/ This total includes imports from Israel for the period April-December 1980.
2/ Less than 500.
3/ Israel lost its GSP eligibility for item 740.70 at the end of March 1980; GSP imports from Israel for 1980 reflect only 3 months of trade.
4/ Less than 0.5 percent.

Source: Compiled from official statistics of the U.S. Department of Commerce.

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