

United States International Trade Commission

**Advice Concerning
Possible Modifications to
the U.S. Generalized
System of Preferences,
2005 Special Review
on Watches**

Investigation No. 332-471
USITC Publication 3841
March 2006



U.S. International Trade Commission

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NOTICE

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EXECUTIVE SUMMARY

* * * * *

For the purpose of this report, the U.S. watch industry consists of producers/assemblers, including companies vertically integrated with affiliates located in the U.S. Virgin Islands, and producers of watch straps, bands, and bracelets. In addition, much of the U.S. market demand is satisfied by U.S. importers (table ES-1).

Table ES-1 Overview of the U.S. watch industries for subject watches	
U.S. producers/assemblers¹	Belair Time Corp. (NJ) Citizen Watch Co. (CA) ² Croton Watch Co. (NJ) Hampden Corp. (IL) Jules Jurgenson Helbros International (PA) Pedre Watch Co. (NJ)
U.S. producers of watch straps, bands, and bracelets	American Liberty USA (RI) ³ Hadley Roma, Inc. (FL)
U.S. Virgin Islands affiliates of U.S. producers/assemblers⁴	Belair Hampden Tropex (Jules Jurgenson)
U.S. importers⁵	Bulova Corp. Casio Co. E. Gluck Corp. Seiko Corp. of America Timex Corp.
<p>¹ Defined as firms that perform watch movement and watch assembly and customization operations.</p> <p>² ***.</p> <p>³ American Liberty USA is owned by Hampden Corp.</p> <p>⁴ Defined as firms located in the U.S. Virgin Islands that are vertically integrated with U.S. mainland affiliates and perform movement and watch assembly and customization operations. ***.</p> <p>⁵ U.S. importers that responded to the Commission's questionnaires. Defined as watch companies located in the United States that only import watches for sale in the U.S. domestic market; these firms do not perform movement and watch assembly operations.</p> <p>Source: Compiled by Commission staff from questionnaire responses, fieldwork, and interviews with interested parties.</p>	

U.S. producers/assemblers are those companies that perform assembly operations in the United States and/or the U.S. insular possessions, including watch movement and watch assembly operations or finishing operations; companies that customize watches, including imported watches, which involves some assembly; and companies that perform designing, testing, packaging, sales, and/or customer service operations. Of these companies, Belair Time Corp., Hampden Corp., and Jules Jurgensen Helbros International perform assembly operations in the U.S. Virgin Islands through vertically integrated affiliates.

U.S. importers are those U.S. companies that import watches for sale in the retail market, a market dominated by imports from China, Hong Kong, Japan, the Philippines, Switzerland, and Thailand. There is no known U.S. production of component parts used in the assembly of watch movements, but there is production of watch straps, bands, and bracelets.

Most U.S. shipments from ***. Based on questionnaire responses, the watches assembled and shipped from the U.S. Virgin Islands appear to compete at ***.¹ ***. Based on estimated average unit values, only ***.

¹ ***

CHAPTER 1: INTRODUCTION¹

As requested by the United States Trade Representative (USTR),² this report provides the Commission's advice concerning the probable economic effect on U.S. imports, on the U.S. watch industries, and on U.S. consumers of adding certain watches to the list of articles eligible for duty-free treatment under the Generalized System of Preferences (GSP) program.³ The request specified watches classified under HTS subheadings 9102.11.10, 9102.11.25, 9102.11.30, 9102.11.45, 9102.19.20, 9102.19.40, and 9102.91.40. These seven HTS subheadings can be grouped into three categories, all of which have cases not of precious metal or metal clad with precious metal: (1) quartz analog wristwatches with mechanical display only (HTS subheadings 9102.11.10, 9102.11.25, 9102.11.30, and 9102.11.45), (2) combination display wristwatches (with both optoelectronic and mechanical displays) (HTS subheadings 9102.19.20 and 9102.19.40), and (3) other nonwrist watches (e.g., pendant watches, grip clips, and nurses watches) (HTS subheading 9102.91.40). In 2004, more than 99 percent of the quantity of U.S. imports of subject watches from GSP-eligible countries were from Thailand (46 percent) and the Philippines (53 percent).

Description and uses

Watches are timepieces designed to be worn or carried on or about the person. The most common type of watch is a wristwatch, but watches may also be carried in the pocket, set in rings, or worn about the neck. Timepieces incorporating any type of stand are not classified as watches, nor are watches set in pens, or in other apparatus not specifically designed to be carried on or about the person. Watches may be mechanically or electronically powered, and the timekeeping function may be either mechanically or electronically regulated. They may have mechanical (analog) displays, optoelectronic (digital) displays, or both.

The major components of a watch are the movement; the watch case; the watch band, strap, or bracelet;⁴ and the battery. The watch movement includes movements with a balance wheel and hairspring, quartz crystal, or any other system capable of determining intervals of time and performing the time-regulating function of the watch. The watch case includes the inner and outer cases, case backs, and

¹ The information in this report is for the purpose of this report only. Nothing in this report should be construed to indicate how the Commission would find in an investigation conducted under any other statutory authority.

² The Commission instituted this investigation following receipt of a request from the USTR for advice concerning the probable economic effect on the U.S. watch industries and on U.S. consumers of adding certain watches to the list of articles eligible for duty-free treatment under the U.S. Generalized System of Preferences (GSP) program. As requested, this report provides separate advice on the probable economic effect of such action on the watch manufacturing and assembly industry and the watch band, strap, and bracelet manufacturing and assembly industry and for each geographic area (the United States and the U.S. insular possessions). The report also provides certain requested information for use by the President in making a determination under section 503(b)(1)(B) of the Trade Act of 1974 (19 U.S.C. §2463(b)(1)(B)). See appendix A for a copy of the request letter and the Commission's notice of investigation.

³ To provide its advice, the Commission used data and information obtained from questionnaires, hearing testimony, written submissions, fieldwork in the United States and U.S. Virgin Islands, and various other public and private sources. See appendix B for a list of hearing witnesses and appendix C for the positions of interested parties.

⁴ Watch bands, straps, or bracelets are typically made of metal, leather, plastic, or textiles. The type of watch case usually determines the type of band, strap, or bracelet attached to it.

containers and houses for movements, together with parts and pieces such as, but not limited to, rings, posts, and frames.⁵

The primary function of a watch is timekeeping. However, some watches have long been considered jewelry, fashion accessories, or other articles of adornment.⁶ The introduction of the quartz analog watch allowed producers to make movements with a high degree of accuracy at a relatively low cost. Mechanical watches are beginning to make a comeback as there is a growing interest in vintage watches and styles.⁷ Technological breakthroughs in movements continue to emerge in the watch industry as well.⁸

Watches are essentially produced and assembled the same way worldwide, with differences occurring mainly in the level of automation at the production facilities. Citizen, Seiko, and ETA account for a substantial portion of the world's total production of mechanical and quartz analog watch movement components.⁹ The rest of the worldwide watch industry consists of assembly operations that fit together the various movement components.¹⁰ Differentiation, to a large extent, is a function of the design, marketing, and outward appearance of a watch.¹¹

Although watches are generally interchangeable because they serve the same function as a timepiece, customer preferences based on style, fashion trends, brand-name recognition, and price reduce the degree of substitution and serve to segment the market. For example, imports of subject watches from the Philippines ***. However, subject watches imported from other GSP-eligible countries (in particular, Thailand) may be more similar to U.S.-produced/assembled watches in terms of look, style, number of functions, or average unit values, and may compete in some of the same market segments.

⁵ The watch case is an important determinant of quality and pricing based on the types of materials used and the thickness of the materials. Some of the HTS watch categories listed in the USTR's letter involve precious metal casing. The material used to make the watch case determines what kind of watch it will be called (e.g., gold watch).

⁶ Because consumers consider watches to be fashion accessories as well as timepieces, watch companies focus more on marketing (e.g., brand-name awareness) and style. Most consumers tend to own more than one watch, meeting either their fashion or hobby interests. Responses to Commission questionnaires.

⁷ Mechanical watches are increasing in the mid-price and luxury-brand categories, making them more accessible to a larger market of consumers. William George Shuster, "The Many Faces of Time," *Jewelers Circular Keystone* ("JCK"), July 2005.

⁸ Seiko recently launched its multipatented Spring Drive Movement (28 years in development), its most important launch since the quartz module, while TAG Heuer just launched its first mechanical chronograph accurate to 1/100th of a second and claims that it is the most accurate mechanical timepiece ever crafted. William George Shuster, "The Many Faces of Time," *Jewelers Circular Keystone* ("JCK"), July 2005.

⁹ Citizen and Seiko are both Japanese firms, while ETA is Swiss (owned by the Swatch Group watch conglomerate). American Watch Association (AWA), "Watches 101," found at Internet address <http://watchmakereducation.com/watches101.htm>, retrieved Sept. 8, 2005.

¹⁰ Most watch companies buy the movements, case them, and sell them under their own brand names, while some watch companies buy movements and modify them for use in their watches (e.g., add certain functions like a calendar). To be called a manufacturer, a watch company must make at least one of the movements it incorporates in its watches. AWA, "Watches 101."

¹¹ USITC, *Probable Economic Effects of Providing Duty-Free Treatment for Watches Under the Generalized System of Preferences*, investigation Nos. TA-131 (b)-13, TA-503 (a)-17, and 332-266 of the Tariff Act of 1930, Apr. 1989, p. 2-2.

Tariff treatment¹²

In the HTS, the provisions covering watches require constructive segregation¹³ into the major components. The general or normal trade relations (NTR) rates of duty for six of the seven HTS subheadings covered in this investigation consist of separate rates of duty for the movement; the case; the strap, band, or bracelet; and the battery; the other HTS subheading (other watches) has separate general rates of duty for the movement, case, and battery, and covers only certain watches not worn on the wrist. The watch is classified for tariff purposes based first on the movement and then on the case and the strap, band, and bracelet. The *ad valorem* equivalents for the general specific rates of duties for these HTS subheadings range from a low of 4.7 percent to a high of 12.6 percent (table 1-1).¹⁴

¹² On October 31, 1989, the President designated 18 categories of digital and mechanical display watches as eligible for GSP treatment, but denied GSP eligibility for 40 other watch categories, including those that are the subject of this investigation (Proclamation 6058, Oct. 31, 1989). On June 3, 1997, the President designated certain HTS subheadings as eligible for GSP treatment for lesser developed beneficiary developing countries (LDBDCs) only (Proclamation 7007, May 30, 1997).

¹³ Constructive segregation is a procedure invoked by Customs to allow the assessment of duty, identification of U.S. inputs, or other necessary separation of a good entered as an entirety (here, the watch complete with band and battery). For example, the importer is not entering the good as a leather watch band in the leather chapter and a watch case, a watch movement, and a battery under the appropriate subheadings. Rather, Customs regulations state that, if the importer is entering 25 watches under, for example, HTS subheading 9102.11.10, the import is effectively 25 cases, 25 movements, 25 bands, and 25 batteries.

¹⁴ Prehearing brief on behalf of Timex, Sept. 9, 2005, pp. 7-8 and verified by staff calculations.

Table 1-1***Ad valorem* equivalents for the general specific rates of duties for these HTS subheadings**

HTS subheading	Brief description	2004 rates of duty	2004 <i>ad valorem</i> equivalent
9102.11.10	Quartz analog, gold- or silver-plated case, metal or textile band	44 cents each + 6% on the case + 14% on the strap, band or bracelet + 5.3% on the battery	8.0%
9102.11.25	Quartz analog, other case, metal or textile band	40 cents each + 8.5% on the case + 14% on the strap, band or bracelet + 5.3% on the battery	9.9%
9102.11.30	Quartz analog, gold- or silver-plated case, other band	44 cents each + 6% on the case + 2.8% on the strap, band or bracelet + 5.3% on the battery	6.2%
9102.11.45	Quartz analog, other case, other band	40 cents each + 8.5% on the case + 2.8% on the strap, band or bracelet + 5.3% on the battery	8.4%
9102.19.20	Combo, metal or textile band	32 cents each + 4.8% on the case + 11% on the strap, band or bracelet + 4.2% on the battery	6.3%
9102.19.40	Combo, other band	32 cents each + 4.8% on the case + 2.2% on the strap, band or bracelet + 4.2% on the battery	4.7%
9102.91.40	Other, 0-1 jewel movement	40 cents each + 6% on the case + 5.3% on the battery	12.6%

Special tariff provisions

The subject watches are eligible to receive preferential tariff treatment when imported into the United States under the Caribbean Basin Economic Recovery Act (CBERA), the Andean Trade Preference Act (ATPA), the African Growth and Opportunity Act (AGOA), the North American Free Trade Agreement (NAFTA), the U.S.-Israel Free Trade Agreement (FTA), the U.S.-Chile FTA, the U.S.-Singapore FTA, the U.S.-Australia FTA, and the U.S.-Jordan FTA. Some of the preferential rates likewise require constructive segregation and vary by component. All of these tariff programs (except for the U.S.-Australia FTA but including the GSP) require direct importation from the country of origin (19 CFR §102)). U.S. imports under special tariff provisions are provided in table 1-2.

Table 1-2
Subject watches: Imports under special tariff programs, 2002-04, January-June 2004, and January-June 2005

(1,000 dollars)

Program	2002	2003	2004	January-June	
				2004	2005
U.S.-Israel FTA	79	60	92	90	39
U.S.-Jordan FTA	0	0	0	0	37
U.S.-Chile FTA	0	0	0	0	5
Andean Act (ATPA)	13	22	0	0	0
NAFTA	1,419	1,257	25	15	22
CBERA	255	2	0	0	252
Other special provisions	1,766	1,343	117	106	355
Total imports under special tariff provisions .	3,532	2,684	234	211	710
Total imports, all sources	1,400,624	1,467,075	1,534,300	1,067,611	1,166,560

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

CHAPTER 2: PROBABLE ECONOMIC EFFECT ADVICE

* * * * *

CHAPTER 3: U.S. MARKET AND U.S. OPERATIONS

The U.S. watch industry consists of U.S. producers/assemblers, which are companies that perform watch movement and watch assembly operations, as well as finishing operations in the United States; companies that customize watches, including imported watches (this involves some assembly); and companies that perform designing, testing, packaging, sales, and/or customer service operations. The majority of U.S. firms' operations involving watch movement and watch assembly of subject watches takes place in the U.S. Virgin Islands. Three U.S. Virgin Islands (USVI) firms, ***,¹ account for 100 percent of watch movement and watch assembly of subject watches in all U.S. insular possessions. These firms are vertically integrated with U.S. affiliates *** (table 3-1).² The vertically integrated affiliates located in the U.S. Virgin Islands also account for the majority of production/assembly operations on the U.S. mainland. The U.S. Virgin Islands accounted for 0.1 percent of U.S. apparent consumption of subject watches during 2001-04.³

Table 3-1 Overview of the U.S. watch industries for subject watches	
U.S. producers/assemblers¹	Belair Time Corp. (NJ) Citizen Watch Co. (CA) ² Croton Watch Co. (NJ) Hampden Corp. (IL) Jules Jurgenson Helbros International (PA) Pedre Watch Co. (NJ)
U.S. producers of watch straps, bands, and bracelets	American Liberty USA (RI) ³ Hadley Roma, Inc. (FL)
U.S. Virgin Islands affiliates of U.S. producers/assemblers⁴	Belair Hampden Tropex (Jules Jurgenson)
U.S. importers⁵	Bulova Corp. Casio Co. E. Gluck Corp. Seiko Corp. of America Timex Corp.
¹ Defined as firms that perform watch movement and watch assembly and customization operations. ² ***. ³ American Liberty USA is owned by Hampden Corp. ⁴ Defined as firms located in the U.S. Virgin Islands that are vertically integrated with U.S. mainland affiliates and perform movement and watch assembly and customization operations. ***. ⁵ U.S. importers that responded to the Commission's questionnaires. Defined as watch companies located in the United States that only import watches for sale in the U.S. domestic market; these firms do not perform movement and watch assembly operations.	

¹ ***, ***, interview with USITC staff, St. Croix, Nov. 3, 2005; and ***, telephone interview with USITC, Jan. 20, 2006.

² ***.

³ Calculated by Commission staff based on official data of the U.S. Department of Commerce and the U.S. Department of Interior.

U.S. importers import watches for sale in the retail market. *** U.S. importers, ***, reported importing fully assembled subject watches, predominantly from China, Hong Kong, Japan, Switzerland, and Thailand, for sale in the United States.⁴ ***, responding to the Commission's questionnaire, reported production of watch straps, bands, and bracelets in the United States. The Commission is unaware of any production of watch straps, bands, and bracelets in the U.S. insular possessions.

U.S. market summary for watches

The overall U.S. watch retail market (including nonsubject watches), according to one industry estimate, was valued at almost \$7.9 billion in retail sales with 178.5 million watches sold in 2003. This was a 3.2 percent increase in retail sales and a 2.3 percent increase in retail unit volume from 2002.⁵ The Commission did not compile market share data on a company by company basis. However, one U.S. importer estimated watch companies' 2004 U.S. market shares by retail value for all watches (including nonsubject watches) as follows: ***.⁶

The U.S. watch market is relatively concentrated in terms of leading firms' retail sales values (***),⁷ yet is highly fragmented by brand.⁸ Watch companies may own or license multiple brands, which compete in different market segments based on price.⁹

The U.S. watch market is segmented by retail price, with various watch companies using slightly different price ranges to define market segments. Generally, the U.S. watch market can be divided into five market segments: (1) exclusive (\$5,000 +), (2) luxury (\$1,500 - \$5,000), (3) designer (\$150 - \$1,500), (4) fashion (\$50 - \$150), and (5) mass market (under \$50).¹⁰ Upper-tiered designer, luxury, and exclusive watches are predominantly watches incorporating mechanical movements, although some may incorporate quartz analog movements. Fashion watches and mass market watches generally incorporate quartz analog movements and may include digital or analog displays, or both. According to one industry representative, multiple brands compete in different price segments and therefore in different retail segments in which marketing and branding strategies may differ.¹¹ Watch materials (e.g., the type and amount of metal used in the watch case) and marketing are two principal factors that distinguish watches that are priced in different market segments.¹²

Retail price competition has accelerated in the past five years.¹³ Among low- to mid-tiered watches that compete in the same price ranges (i.e., under \$150), and in which quartz analog technology

⁴ ***.

⁵ This estimate is based on retail sales values and retail unit volumes of all watches sold within the United States and therefore includes watches not subject to this investigation. See Packaged Facts, *The U.S. Market for Clocks and Watches*, 6th Edition, Feb. 2004, pp. 63-66.

⁶ ***.

⁷ ***.

⁸ For example, the Swiss Swatch Group sells 18 watch brands, including Breguet, Omega, Hamilton, and the Swatch brand, in different market segments. Proprietary and licensed brands sold by U.S.-based Fossil Inc. include the Fossil, Relic, Emporio Armani, and DKNY brands. U.S.-based Hampden Corporation owns the Hampden brand and has licensed other brands such as *** in the past. USITC staff interview with ***; Fossil and Swatch 2004 Annual Reports.

⁹ ***.

¹⁰ Market segments are not mutually exclusive and may include overlap by price segment and brand. Compiled from various public company 10-K reports; ***, and USITC staff interview with ***, ***.

¹¹ USITC staff interview with ***.

¹² Hearing transcript, p. 65.

¹³ Hearing transcript, p. 54.

has not changed substantially, consumer preferences in design and perceptions of quality are reported to be among the principal purchasing factors.¹⁴ Other factors that influence consumer preferences may include the type of watch (e.g., a sports watch), additional watch features (e.g., chronograph with stopwatch functions), and current fashion trends. Consumers are more often purchasing multiple watches to serve as fashion accessories as well as functional timepieces.¹⁵ *** suggested that, increasingly, a fashion-driven U.S. market is creating potential for future growth, based on increasing demand for various styles of watches.¹⁶ However, *** stated that they do not anticipate changes in the level of U.S. demand.¹⁷ Fashion trends often dominate the styles that watch manufacturers produce. Shifting consumer preferences have resulted in watch producers and importers improving the speed at which new watch styles are brought to market, as well as improving packaging and quality at a lower cost in order to maintain and expand market shares in a competitive environment.¹⁸

Another segment of the U.S. watch market includes customized watches for sale predominantly in the promotional and awards markets.¹⁹ The promotional products industry generally refers to “logo watches,”²⁰ which may bear logos of company names, film titles, or sports teams, among others. U.S. watch companies involved in watch customization operations may import watch movements or other watch parts to be assembled and customized in the United States, while others may purchase complete watches, disassemble them, and insert customized dials.²¹

Potential substitutes to watches include cell phones and personal digital assistants (PDAs), which also can be used to tell time. Certain consumers who may only purchase watches for their utility as a timekeeping device may substitute cell phones and PDAs for that purpose.²²

U.S. insular possessions:²³ U.S. Virgin Islands

The watch industry is the largest light manufacturing industry in the U.S. Virgin Islands and historically one of the most important sources of private sector employment in the territory. It currently provides approximately 7 percent of all manufacturing jobs²⁴ to the U.S. insular possession.²⁵ Three firms assemble watches and watch movements in St. Croix, U.S. Virgin Islands, and comprise 100 percent of watch and watch movement assembly in all U.S. insular possessions. The Commission sent questionnaires to three firms (Belair, Hampden, and Tropex)²⁶ that performed such operations from 2002 through January-June 2005 and received responses from ***.

¹⁴ *** importers’ questionnaire response ***.

¹⁵ *** importers’ questionnaire response ***.

¹⁶ ***.

¹⁷ *** importers’ questionnaire responses ***.

¹⁸ ***.

¹⁹ Hearing transcript, p. 39.

²⁰ Hearing transcript, p. 52.

²¹ Selco Time Corporation, one such watch customizer, customizes watches using U.S.-manufactured dials.

Posthearing brief on behalf of the AWA, Nov. 7, 2005, p. 10.

²² *** foreign producers’ questionnaire ***.

²³ No watch production/assembly was found to be taking place in Guam.

²⁴ ***.

²⁵ The unemployment rate in the U.S. Virgin Islands was estimated at 9.3 percent in 2003, almost double the unemployment rate of the U.S. mainland. See *CIA World Factbook*. The AWA states that the U.S. Virgin Islands and notably St. Croix continue to confront significant economic development challenges such as scarcity of natural resources; threat of severe hurricanes, droughts, and floods; and inadequate and underfunded infrastructure.

Posthearing submission on behalf of the AWA, Nov. 7, 2005, p. 6.

²⁶ ***.

Three USVI producers/assemblers (Belair, Hampden, and Tropex) are vertically integrated with their company affiliates in the United States.²⁷ Belair, Hampden, and Tropex import unassembled watch movements predominantly from ***, to be assembled by hand in the U.S. Virgin Islands.²⁸ Other watch components, including watch straps, bands, and bracelets; watch hands and dials; and watch cases are imported to the U.S. Virgin Islands, primarily from ***.²⁹ Apart from movement assembly, manufacturing operations include dial and hand setting, crown assembly, casing, testing, and quality control.

Assembled movements and finished watches are shipped to company affiliates in the United States where the production process is completed. Completion may include additional assembly, customization, testing, quality control, and packaging. Additionally, U.S. mainland affiliates are primarily responsible for marketing and sales and customer service.³⁰

Assembly operations in the U.S. Virgin Islands

Quartz analog watch movements comprise approximately 30-40 different component parts.³¹ Manual watch movement assembly and watch assembly requires a number of standardized assembly operations. Watch assembly may include 25 or more standardized operations, depending on the complexity and size of the movement, as well as on the type of watch being assembled.³² For example, a watch with multifunction subdials that show the time, date, and day of the week, or a chronograph watch with stopwatch functions, may require more components and more labor to assemble.³³ The USVI producers/assemblers ***.³⁴ USVI producers/assemblers stated that ***.³⁵ Reportedly, watch assembly jobs are highly desired in St. Croix because of attractive wages and benefits, as well as scarce employment opportunities.³⁶

USVI producers/assemblers must also contend with stocking critical assembly components in preparation for a shift in demand due to changing fashion trends.³⁷ It is not uncommon for a parent company to notify its subsidiary to curtail production of one type of watch style and begin production on another to meet changing fashion trends and consumer preferences.³⁸ The subsidiaries may try to use compatible watch parts, which are already in stock, to avoid potential delivery delays of new watch components.

²⁷ ***.

²⁸ There is a limited number of suppliers of assembled and unassembled watch movements, most of which are concentrated in Switzerland and Japan. Principal Swiss watch movement suppliers include Ronda, ETA, and ISSA. Japanese suppliers include Citizen, Seiko, and Orient. ***. Virgin Island producers' questionnaire responses ***.

²⁹ ***. Virgin Islands producers' questionnaire responses; and USITC staff interview with ***.

³⁰ Additional operations performed by U.S. mainland affiliates include watch design, planning, and logistics management.

³¹ The number of movement components depends on the company that produces the watch movements, the size of the movement, as well as additional features, such as a calendar or chronograph functions. Mechanical movements typically consist of more movement components than quartz analog movements. USITC staff interview with ***; USITC staff telephone conversation with ***.

³² USITC staff interview with ***.

³³ ***.

³⁴ ***.

³⁵ USITC staff interviews with USVI producers/assemblers, St. Croix, Nov. 1-6, 2005.

³⁶ AWA posthearing brief, p. 16.

³⁷ ***.

³⁸ USITC staff interview with ***.

Although watch parts are often interchangeable, there may be instances when a unique part is necessary to complete a watch, in which case the assembler is heavily dependent upon timely part suppliers and shipment services.³⁹ *** noted that most of its movement and watch assembly operations take place in the U.S. Virgin Islands, whereas ***.⁴⁰ Additionally, there is ***.⁴¹ In addition to movement and watch assembly in the U.S. Virgin Islands, *** also imports pre-assembled movements to be incorporated into finished watches.⁴²

The Commission received questionnaire data on production capacity, production, domestic shipments, and inventories from *** USVI firms (***). ***⁴³***.⁴⁴

During 2002-04, the average reported production capacity of *** declined by approximately *** percent, while the average reported production declined by *** percent, yielding declining capacity utilization rates of *** percent in 2002 and *** percent in 2004 (table 3-2). Capacity and production *** during the first half of 2005 compared to the same period in 2004, resulting in slightly *** capacity utilization rates.

A total of *** percent of watches assembled by *** are sold to their related U.S. operations. During 2002-04, *** reported that the total quantity of shipments to related U.S. operations *** during January-June 2005 compared to the same period the previous year (table 3-2). In terms of value, domestic shipments *** over the period, yielding average unit values that fluctuated between *** and ***.

Table 3-2
***** capacity, production, and domestic shipments of subject watches, 2002-04, January-June 2004 and 2005**

* * * * *

There are approximately *** workers employed in the watch industry in the Virgin Islands.⁴⁵ Hampden has continued to shift production/assembly for all of its watches (including nonsubject watches) away from Chicago to the U.S. Virgin Islands. Hampden partly attributes the shift to an aging employee base in Chicago and a younger employee base in the Virgin Islands. However, this shift appears to involve only about *** who have retired from Chicago; those jobs are being shifted to the U.S. Virgin Islands.⁴⁶

Employees are often “cross-trained” to handle multiple watch assembly operations.⁴⁷ Since USVI producers/assemblers have traditionally relied on labor instead of automated equipment to perform

³⁹ ***.

⁴⁰ Staff interview with ***.

⁴¹ ***.

⁴² Staff email correspondence with ***, Jan. 6, 2006.

⁴³ ***.

⁴⁴ ***.

⁴⁵ ***. USITC staff interviews, St. Croix, Nov. 3, 2005.

⁴⁶ Hearing transcript, p. 80.

⁴⁷ Assembly cross-training has been in place for the past 10-15 years, according to USVI producers/assemblers. Plant managers often monitor employee production on various types of watches. It is not uncommon for a plant manager to stop employee production on one style of watch and start them on another to create flexibility in scheduling and assembly operations and to meet changing demand. USITC staff interviews, St. Croix, Nov. 3, 2005.

assembly operations, USVI producers/assemblers noted the importance of having employees that can perform multiple assembly operations.

Benefits to USVI producers/assemblers: Production Incentive Certificate (PIC) and the USVI Economic Development Authority (EDA)

Belair, Goldex, Hampden, and Tropex are recipients of the Production Incentive Certificate (PIC), which was created in 1983⁴⁸ and subsequently amended⁴⁹ to provide for duty exemption on U.S. territorial watches and watch movements without regard to the value of foreign content that such watches or watch movements contain, provided that recipients conform with the provisions of U.S. Legal Note 5 to Chapter 91 ("91/5") of the HTS. These firms also receive duty-refund certificates equal to the sum of 90 percent of the producer's creditable wages⁵⁰ for the first 300,000 units shipped free of duty into the United States and declining percentages in additional increments up to a maximum of 750,000 units per producer.

The Miscellaneous Trade and Technical Corrections Act of 2004 ("the Act")⁵¹ expanded the refund amount paid to certificate holders to include the difference between any duties that would have been applied to their watches⁵² and watch movements if they had been dutiable on January 2001 at MFN rates and any new reduced or eliminated MFN duty rates that take place in the future. The Act further expanded the duty refunds to include the value of health insurance, life insurance, and pension benefits, as well as adjusted the amount of watch repairs that are eligible for the duty refund. The Act also extended the PIC program to 2015.⁵³

⁴⁸ Legislation granting duty-free treatment to watches and watch movements in order to promote light industry in the U.S. insular possessions dates back to the 1950s. Pub. L. 83-768 (1954) allowed for the duty-free entry of U.S. insular products if the value of foreign components did not exceed 50 percent. Pub. L. 89-805 (1966) created the U.S. insular possessions watch program, administered by the U.S. Departments of Commerce and the Interior, and gave eligible watch producers/assemblers an annual allocation of watches and watch movements that could enter the United States free of duty. Following a peak in employment in the early 1970s, the USVI watch industry experienced declines, prompting Congress to pass Pub. L. 94-88 (1975), which raised the level of permissible foreign content to 70 percent of total value. Employment in the USVI watch industry continued to decline in the early 1980s, which, according to the Government of the U.S. Virgin Islands, resulted from increased U.S. imports of watches from lesser-developed countries with lower labor costs, as well as from damage from a succession of hurricanes that resulted in a decrease in the number of operating companies from seven to four. *See* Prehearing brief on behalf of the Government of the Virgin Islands, Sept. 12, 2005. The insular possession watch industry provision in Section 110 of Pub. L. 97-446 (96 Stat. 2331), enacted by Congress in 1983, refers to the PIC.

⁴⁹ Amended by Section 602 of Pub. L. 103-465 (108 Stat. 4991) (1994); and Pub. L. 106-36 (113 Stat. 127) (1999), which extended the issuance of duty refund certificates to territorial jewelry producers for any article of jewelry provided for in HTS heading 7113 that is the product of any such territory.

⁵⁰ "Creditable wages" refer to all wages, up to an amount equal to 65 percent of the contribution and benefit base for Social Security as defined by the Social Security Act for the year in which the wages were earned, paid to permanent residents of the territories employed in the firm's 91/5 watch and watch movement assembly operations, plus any wages paid for the repair of non-91/5 watches up to an amount equal to 50 percent of the firm's total creditable wages. *See* 15 CFR part 303, as of Jan. 10, 2002.

⁵¹ Pub. L. 108-429 (118 Stat. 2434) (Dec. 3, 2004).

⁵² Excluding digital watches and units in excess of the 750,000 unit limitation. *See* HTSUS Chapter 91 Additional Note 5 (h)(ii)(C).

⁵³ In addition to including the value of health insurance, life insurance, and pension benefits, "creditible wages" was redefined to include wages paid to watch and watch movement assembly workers in the complete assembly of watches, excluding the movement, only in situations where the desired movement cannot be purchased unassembled and the producer can show documentation establishing this situation. *See* 70 CFR Part 128 (July 6, 2005), pp. 38,828-38,834; and 70 CFR Part 215 (Nov. 8, 2005), pp. 67 and 645-67.

The U.S. Virgin Islands Economic Development Authority (EDA) provides tax incentives to companies, including USVI watch producers/assemblers, as part of a broader goal of stimulating economic development in the U.S. Virgin Islands. USVI producers/assemblers receive tax benefits that include up to a 90 percent income tax reduction; a 100 percent tax exemption on property taxes for facilities located in industrial parks, including below-market rates for leasing space; a 100 percent exemption on imported foreign components; and a 100 percent tax exemption on gross receipts instead of the current 4 percent rate.⁵⁴

Assembly operations in the United States

Six firms in the United States (***) have watch movement or watch assembly operations in the contiguous United States. Additionally, the Commission received responses from *** firms (***) whose reported operations include watch customization.⁵⁵

Three firms (Belair, Hampden, and Jules Jurgenson) located in the United States are vertically integrated with affiliates located in St. Croix, U.S. Virgin Islands.⁵⁶ U.S. mainland affiliates receive assembled watch movements and whole watches from their USVI affiliates for further assembly, quality control, packaging, marketing, and sales. Other U.S. assembly operations include watch assembly and customization using watch movements and watch parts assembled in both the U.S. Virgin Islands and abroad.⁵⁷

Belair, Hampden, and Jules Jurgenson purchase necessary watch parts for production/assembly operations in the U.S. Virgin Islands. Watch parts are shipped directly from foreign suppliers to the USVI subsidiaries. U.S. mainland affiliates also handle commercial purchase orders (i.e., company accounts) and often sell customized watches to specific buyers, as well as sell watches without specialized features to allow purchasers to add customization as desired.⁵⁸

⁵⁹⁶⁰

*** reported *** in average production capacity (***) despite *** reported capacity in 2003 (table 3-3). During 2002-04, production quantities *** percent, while capacity utilization rates *** percent in 2002 to *** percent in 2004. During January-June 2005, production *** compared to the same period in 2004. ***.

Table 3-3
***** capacity, production, and domestic shipments of subject watches, 2002-04, January-June 2004 and 2005**

* * * * *

Total reported domestic shipments for subject watches *** percent in terms of quantity, and *** percent in terms of value during 2002-04, and appear to contradict *** capacity and production trends during the same period (table 3-3). These contradictory trends are explained by ***.⁶¹ Domestic

⁵⁴ USITC staff interview with ***.

⁵⁵ ***.

⁵⁶ ***.

⁵⁷ Hearing transcript, pp. 37-38.

⁵⁸ ***.

⁵⁹ ***.

⁶⁰ ***.

⁶¹ ***.

shipments *** in January-June 2005 by *** percent by quantity, yet *** only marginally in terms of value compared to the same period in 2004. Between 2002 and January-June 2005, quartz analog watches (HTS subheadings 9102.11.10, 9102.11.25, 9102.11.30, and 9102.11.45) accounted for approximately *** percent of total shipments by quantity and approximately *** percent by value. *** were reported by U.S. firms for combination display wristwatches (HTS subheadings 9102.19.20 and 9102.19.40).

U.S. shipments to distributors accounted for *** percent of total reported domestic shipments of subject watches every year during 2002-04 and during January-June 2004 and 2005. Distributors include department stores,⁶² catalogue houses, and jewelers.⁶³ *** reported that it ***, while ***.⁶⁴ Home television shopping networks (e.g., QVC USA) and the Internet are relatively new distribution channels for watch producers/assemblers.⁶⁵ Supplying to such networks has encouraged U.S. watch producers/assemblers to produce/assemble more specialty watches, which may include personalized features such as a person’s name or a company logo.⁶⁶ Imported subject watches are sold through similar channels of distribution.

The U.S. watch straps, bands, and bracelets industry

The Commission sent questionnaires to 18 firms believed to produce watch straps, bands, or bracelets in the United States. Three firms responded to the Commission’s questionnaire. Two firms, ***, responded that they produce such products in the United States.⁶⁷ ***.⁶⁸ ***.⁶⁹

During 2002-04, these two firms’ average reported production capacity of watch straps, bands, and bracelets ***, while capacity levels in January-June 2005 were *** than levels during the same period the previous year (table 3-4).

**Table 3-4
U.S. production of watch straps, bands, and bracelets, 2002-04, January-June 2004 and 2005**

* * * * *

Production followed a similar *** trend throughout the period (table 3-4). The *** in production is attributable to ***.⁷⁰ ***.⁷¹ Whereas *** reported *** percent of shipments to distributors, *** reported *** percent of shipments to end users during 2002-04 and during January-June 2004 and 2005.

⁶² Joe Wein, Chairman of Hampden Corp., stated that Hampden would like to sell watches to the department store trade, but does not, noting that the company sells in a lower-priced watch market. Hearing transcript, p. 49.

⁶³ Retail prices for the majority of watches sold in jewelry stores tend to be in the mid- to high-level price range, i.e., greater than \$200.

⁶⁴ ***.

⁶⁵ USITC staff interview with ***.

⁶⁶ USITC staff interview with ***. The AWA notes that today’s consumers prefer to “cross-shop,” choosing to shop among different retail outlets and use the Internet to comparison shop and purchase watches. Posthearing brief on behalf of AWA, Nov. 7, 2005, pp. 19-20.

⁶⁷ ***.

⁶⁸ Questionnaire response of *** and staff phone conversation with ***, Jan. 25, 2006.

⁶⁹ ***.

⁷⁰ ***.

⁷¹ ***.

CHAPTER 4: U.S. IMPORTS

Most U.S. demand for the subject watches is supplied by imports. The major source of U.S. imports of these watches is Japan (table 4-1 and appendix F tables). Most of the U.S. imports of the subject watches were quartz analog watches, classified under HTS subheadings 9102.11.10, 9102.11.25, and 9102.11.30 in 2004 (table 4-2). During 2002-04, GSP-eligible countries, primarily Thailand and the Philippines, accounted for an average of about 17 percent of total U.S. imports of the subject watches.

Table 4-1
Subject watches: U.S. imports for consumption, by principal sources, 2002-04

Supplier	2002		2003		2004	
	Value	Share of total	Value	Share of total	Value	Share of total
	<i>1,000 dollars</i>	<i>Percent</i>	<i>1,000 dollars</i>	<i>Percent</i>	<i>1,000 dollars</i>	<i>Percent</i>
Japan	607,651	59.34	633,980	60.31	581,514	55.49
China	117,592	11.48	117,905	11.22	127,687	12.18
Thailand	87,914	8.59	104,802	9.97	99,785	9.52
Switzerland	69,129	6.75	71,751	6.83	89,148	9.04
Philippines	88,115	8.60	79,584	7.57	72,032	6.87
Hong Kong	34,981	3.42	31,979	3.04	59,484	5.68
Spain	2,197	0.21	29	0.00	3,607	0.34
Italy	2,423	0.24	2,108	0.20	1,851	0.18
Malaysia	2,375	0.23	1,704	0.16	1,521	0.15
United Arab Emirates	571	0.06	23	0.00	994	0.09
All other	11,089	1.08	7,334	0.70	4,747	0.45
Total	1,024,037	100.0	1,051,199	100.0	1,047,994	100.0
Imports from GSP-eligible countries:						
Thailand	87,914	8.59	104,802	9.97	99,785	9.52
Philippines	88,115	8.60	79,584	7.57	72,032	6.87

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

Table 4-2
Subject watches: Major import sources by HTS subheading, 2004

HTS subheading	Country	Value	Share of HTS subheading	Share of total subject imports
		<i>1,000 dollars</i>	<i>-----Percent-----</i>	
91021110	Japan	99,395	59.3	9.5
91021110	Philippines	21,292	12.7	2.0
91021110	Hong Kong	19,125	11.4	1.8
91021110	Thailand	14,049	8.4	1.3
91021110	China	7,056	4.2	0.7
91021110	Switzerland	6,206	3.7	0.6
91021110	All Other	397	1.9	2.1
91021110	Total	167,520	100.0	16.0
91021125	Japan	264,744	61.5	25.3
91021125	Thailand	50,760	11.8	4.8
91021125	China	40,364	9.4	3.9
91021125	Switzerland	33,418	6.5	2.7
91021125	Philippines	19,350	4.5	1.8
91021125	Hong Kong	18,782	4.4	1.8
91021125	All Other	2,875	2.0	0.8
91021125	Total	430,293	100.0	41.1
91021130	Japan	18,995	42.2	1.8
91021130	Switzerland	9,520	21.1	0.9
91021130	Philippines	8,485	18.8	0.8
91021130	China	4,100	9.1	0.4
91021130	Thailand	1,652	3.7	0.2
91021130	Hong Kong	1,452	3.2	0.1
91021130	All Other	854	1.9	0.1
91021130	Total	45,059	100.0	4.3
91021145	Japan	163,058	51.0	15.6
91021145	China	52,656	16.5	5.0
91021145	Switzerland	37,659	11.8	3.6
91021145	Thailand	27,006	8.4	2.6
91021145	Hong Kong	17,478	5.5	1.7
91021145	Philippines	16,960	5.3	1.6
91021145	All Other	5,088	1.6	0.5
91021145	Total	319,905	100.0	30.5

Table 4-2--Continued
Subject watches: Major import sources by HTS subheading, 2004

HTS subheading	Country	Value	Share of HTS subheading	Share of total imports
		<i>1,000 dollars</i>	<i>-----Percent-----</i>	
91021920	Japan	15,449	42.9	1.5
91021920	China	9,578	26.6	0.9
91021920	Thailand	2,889	8.0	0.3
91021920	Philippines	2,844	7.9	0.3
91021920	Switzerland	2,571	7.1	0.2
91021920	Hong Kong	1,361	3.8	0.1
91021920	All Other	1,298	3.6	0.1
91021920	Total	35,990	100.0	3.4
91021940	China	9,679	34.9	0.9
91021940	Japan	6,029	21.7	0.6
91021940	Switzerland	3,514	12.7	0.3
91021940	Thailand	3,426	12.4	0.3
91021940	Philippines	3,021	10.9	0.3
91021940	Hong Kong	848	2.9	0.1
91021940	All Other	1,229	4.5	0.1
91021940	Total	27,746	100.0	2.6
91029140	Japan	13,842	64.6	1.3
91029140	China	4,252	19.8	0.4
91029140	Switzerland	1,884	8.8	0.2
91029140	Hong Kong	468	2.2	0.0
91029140	Philippines	80	0.4	0.0
91029140	All Other	908	4.2	0.1
91029140	Total	21,434	100.0	2.0
Total		1,047,994		

Note: Because of rounding, data may not add to totals shown.

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

U.S. imports of subject watches

During 2000-04, Japan was the primary source of U.S. imports within all of the subject HTS subheadings except HTS subheading 9102.19.40 (combination display watches), for which China was the primary source. Other major sources¹ of the subject watches during 2002-04 included Thailand, Switzerland, the Philippines, and Hong Kong.²

Watches from Switzerland are primarily higher valued and considered the premier watches by consumers.³ They often do not compete in the same market segments as the majority of the subject watches. Watches from Switzerland entered under the subject HTS subheadings are generally valued 3 to 6 times higher than those watches imported from China, Hong Kong, Japan, the Philippines, and Thailand (table 4-3).

Table 4-3
Subject watches: U.S. imports for consumption, unit values, by selected sources, 2002-04

(Dollars per unit)

Supplier	2002	2003	2004
Japan	1.85	1.71	1.8
China	1.24	1.34	1.30
Thailand	3.08	3.15	3.37
Switzerland	8.83	10.05	9.93
Philippines	2.27	2.14	2.14
Hong Kong	1.34	1.19	2.01
Spain	13.02	4.40	25.72
Italy	18.81	21.47	17.11
Malaysia	2.58	2.18	2.36
United Arab Emirates	12.84	10.08	10.51

Note: Under each HTS subheading, there can be hundreds of watches sold at different price points and shipments can vary year to year as to the average unit value of the watches imported from any one source.

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

During 2002-04, the value of U.S. imports of the subject watches from the Philippines declined by more than 18 percent. Its share of total U.S. imports of the subject watches declined from 8.6 percent in 2002 to 6.9 percent in 2004. *** during 2002-04.

¹ For the purpose of this report, major sources are defined as countries accounting for at least 5 percent of total U.S. imports of the subject watches.

² The AWA estimates that there are nine watch producers or watch part manufacturers in Thailand. ***.

***.

³ ***.

U.S. imports by Timex

Quartz analog watches accounted for *** during the period under review. U.S. imports of the subject watches by Timex *** because eroding cost competitiveness of Timex’s Philippine operations led to a shifting of a number of Timex-brand watch styles to China (table 4-4).⁴ The total value of *** in the first half of 2005 compared to the same period in 2004. According to ***.⁵

The total volume of U.S. imports ***. The total value of U.S. imports of watches by ***. The value of imports was ***. Quartz analog watches made up virtually all of ***.

Table 4-4
U.S. imports of subject watches by Timex from the Philippines, 2002-04, January-June 2004 and 2005

* * * * *

Table 4-5
U.S. imports of subject watches by Timex from all other sources,¹ 2002-04, January-June 2004 and 2005

* * * * *

U.S. imports of watch straps, bands, and bracelets

*** reported in their responses to the Commission’s questionnaire that they import watch straps, bands, and bracelets into the United States.⁶ *** reported importing watch straps, bands, and bracelets from any GSP-eligible countries. *** reported importing watch straps, bands, and bracelets from ***, and Timex reported importing such products from ***.⁷

The total quantity of imports of watch straps, bands, and bracelets fluctuated, with imports experiencing an overall decline of *** percent during 2002-04 and with imports during January-June 2005 *** the corresponding period in 2004 (table 4-6). According to ***, the decline in imports of watch straps, bands, and bracelets may be attributable to ***.⁸

Leather straps accounted for *** of imports in terms of quantity and value during the period of review, although import shares of nonmetal expansion bands and bracelets and textile straps *** throughout the period, which may indicate ***.⁹ *** reported imports of *** of metal expansion bands, whereas metal expansion bands accounted for *** of *** imports.

Table 4-6
U.S. imports of watch straps, bands, and bracelets, 2002-04, January-June 2004 and 2005

* * * * *

⁴ Posthearing brief on behalf of Timex, Nov. 7, 2005, p. 3.
⁵ Posthearing brief on behalf of Timex, Nov. 7, 2005, p. 20.
⁶ ***.
⁷ ***.
⁸ ***.
⁹ ***.

End-of-period inventories were *** in 2004 than in 2002, but end-of-period inventories for January-June 2005 were *** than for January-June 2004. ***,¹⁰

¹⁰ ***.

CHAPTER 5: PRICING AND RELATED FACTORS

Watches are generally considered to be interchangeable in that they serve the same function as a timepiece; however, style, fashion trends, and brand-name recognition can reduce the degree of substitution. Price is an important factor in a consumer's purchase decision.¹ Although a \$15 watch can be classified in the same HTS subheading as a \$100 watch, the price difference will impact the consumers' choice.

For the subject watches, the average unit values within each HTS subheading vary greatly from a low of \$10-15 per watch to over \$100 per watch. Based on derived average unit values, it appears that *** (table 5-1).

Table 5-1
Average unit values for shipments of subject watches, by category, 2002-04, January-June 2004 and 2005

* * * * *

Factors affecting prices

Retail prices of the subject watches are determined by several factors such as the price of the base metal for the case; the type of band, strap, and bracelet used; packaging, marketing and transportation costs; and overall market demand. Materials and marketing are the largest differences between lower-priced and higher-priced watches.² The base metal used for casing is considered by *** as a raw material cost and factors into the final retail price of the watch. Raw materials costs have risen during 2002-04 (see chapter 6 for more details). Transportation costs are a minor factor in determining the price of the subject watches. Timex reported that U.S. inland transportation accounts for about ***. Pedre, Belair, Hampden, Bulova, and E. Gluck reported that ***. Croton reported that it ***.

Factors affecting demand

Demand for most watches depends on fashion trends, brand-name recognition, and price. Since 2002, demand has increased because low prices have made multiple watches an affordable fashion accessory, according to ***. While *** do not anticipate any changes in U.S. demand for watches, *** stated that since the U.S. market is fashion driven, demand should continue to increase. However, the increased use of cell phones that display the time may affect future demand, according to ***. *** stated that they are trying to redefine styles and brands in an effort to appeal to younger fashion-conscious consumers who rely on cell phones and other electronic devices for timekeeping.

Types of sales

Generally, watch sales by customizers and importers are made on the spot market rather than long-term contracts. Timex and Croton reported that ***. ***. Croton reported that ***. Belair reported that ***. Belair also reported that ***, and Hampden reported that ***.

Generally, sales of the subject watches assembled in the U.S. Virgin Islands ***.³

¹ Hearing transcript, p. 82.

² Hearing transcript, p. 65.

³ ***, interview by USITC staff, U.S. Virgin Islands, Nov. 3, 2005.

Average unit values for shipments of subject watches

The Commission requested U.S. producers/assemblers and importers of watches to provide quarterly data for the total quantity and value of specific products that were shipped to distributors and/or unrelated end users in the U.S. market. However, only *** reported useable data. *** did not to provide the Commission with useable pricing data for the subject watches. ***.

In order to have some comparison of the price points of the subject watches, data provided in table 5-1, derived from official responses to Commission questionnaires, are average unit values based on quantities and shipment values of the different categories of watches from Belair, Hampden, Pedre, and Timex.

Quartz analog

Based on questionnaire responses, the average unit values for ***.⁴ For ***. Subject watches categorized as quartz analog are *** produce/assemble, with most of their production/assembly operations occurring ***. ***.

*** stated in their responses to Commission questionnaires that there are hundreds of different models of watches that fall within these HTS subheadings of watches. ***. Based on a comparison of average unit values, it appears that Timex-brand watches are ***. Timex-brand watches ***.

Combination display wristwatches

Price categories 5 and 6 are combination display watches. ***. Average unit values for ***.

Other nonwrist watches

*** of the subject watches in this category. The average unit values for ***.

Watch bands, straps, and bracelets

The Commission also requested quarterly price data from U.S. producers and importers of watch bands, straps, and bracelets shipped to distributors and/or unrelated end users. Limited responses were received from *** U.S. producers, ***, but no price data were reported. *** reported that it ***; however, *** did not report any pricing data. *** responded to the Commission's importers' questionnaire but did not report any price data.

⁴ Staff verified that the data provided by ***.

CHAPTER 6: FINANCIAL EXPERIENCE OF U.S. PRODUCERS/ASSEMBLERS

Four companies, ***, provided useable financial data on their operations producing/assembling watches, and two firms, ***, provided data on their operations producing watch straps, bands, and bracelets. All reported sales were commercial sales to unrelated parties. No firms reported internal consumption or related-party transfers.

In addition to the income earned on their sale of watches, producers/assemblers are eligible to participate in the PIC program (see chapter 3 for details on the PIC program). Based on partial data provided by ***, staff has estimated the value of the PIC program for all companies and used the estimated value to offset raw materials costs. The estimated value of the PIC program for *** is approximately *** and accounts for a ***.

Operations on watches and watch straps, bands, and bracelets

Aggregate profit data for *** on their domestic operations producing/assembling watches and watch straps, bands, and bracelets are presented in table 6-1. Net sales quantities *** irregularly from 2002 to 2004, while sales values increased *** in 2003 and then *** in 2004 ***.¹ Although the absolute value of operating profits steadily *** from period to period, *** in sales values, as the operating margin stayed within a relatively narrow band, approximately *** of net sales value in both 2003 and 2004.

Table 6-1

Subject watches and watch straps, bands, and bracelets: Results of domestic producers/assemblers on their operations,¹ calendar years 2002-04, January-June 2004, and January-June 2005

* * * * *

There was nonetheless a shift in the underlying operating expenses (cost of goods sold (COGS) and selling, general, and administrative expenses (SG&A) combined) between 2003 and 2004. As indicated in table 6-1, during 2002-03 COGS represented approximately *** percent of net sales value, and therefore gross profit margins were approximately *** percent, while SG&A expenses ranged between *** percent of sales. The situation changed in 2004, as COGS *** percent of sales, and the gross profit margin therefore *** percent, while SG&A expenses *** percent.

The financial results of the domestic industry were *** in January-June 2005 as compared to January-June 2004. Net sales quantities, values, and operating income were *** measurably. The January-June 2005 operating profit margin *** with the full-year 2004 margin but was *** than the January-June 2004 value. The aforementioned 2004 shift away from *** continued during 2005.

In 2004, the gross profit, operating profit, and net profit for reporting U.S. producers/assemblers were all *** than they were in 2002, whether measured in absolute terms, as unit values, or as a percentage of net sales value (table 6-2). During the full-year periods, ***. All levels and measures of profitability increased from 2002 to 2003 as unit operating costs (COGS and SG&A expenses combined) ***. The *** was true from 2003 to 2004, as unit operating costs ***.

¹ Given the wide disparity in differences between the average unit value for watches (approximately \$30 per watch in 2002) and watch straps, bands, and bracelets (approximately \$7 per watch strap, band, and bracelet in 2002), average unit values for watches and watch straps, bands, and bracelets combined is of limited value and is therefore not being presented.

Table 6-2

Subject watches: Results of domestic producers/assemblers on their operations,¹ 2002-04, January-June 2004, and January-June 2005

* * * * *

The financial results of the domestic watch industry were somewhat *** in January-June 2005 as compared to January-June 2004. Net sales quantities were *** measurably, but unit sales value was ***. Gross profits, operating income, and net income ***. When expressed as a percentage of net sales value, gross profits were ***.

*** experienced *** in January-June 2005 compared to January-June 2004.

Variance analyses showing the effects of prices and volume on the producers'/assemblers' trade, transfer, and internal consumption operations and of costs and volume on their total cost are not being presented. This is because the analysis is effective only when the product involved is a homogeneous product with no variation in product mix. Given that there are wide disparities between the average unit values for the watches sold by the different producers/assemblers and between the average unit values for the watch straps, bands, and bracelets sold by the different producers (ranging from approximately *** per band), these conditions are not met.

Table 6-3

Subject watch straps, bands, and bracelets: Results of domestic producers on their production operations, calendar years 2002-04, January-June 2004, and January-June 2005

* * * * *

Capital expenditures and research and development expenses

***. The level of expenditures was *** (table 6-4). *** R&D expenses.

Table 6-4

Subject watches and watch straps, bands, and bracelets: U.S producers'/assemblers' capital expenditures and research and development expenditures, calendar years 2002-04, January-June 2004, and January-June 2005

* * * * *

Assets and return on investment

The value of total assets *** from 2002 to 2004, largely because of changes in current assets (primarily cash and inventories) (table 6-5). Producers/assemblers have a relatively *** investment in property, plant, and equipment ***.

Table 6-5

Subject watches and watch straps, bands, and bracelets: U.S producers'/assemblers' value of assets and return on investment,¹ calendar years 2002-04

* * * * *

Capital and investment

The Commission requested U.S. producers/assemblers to describe any negative effects on their return on investment, growth, investment, ability to raise capital, existing development and production efforts (including efforts to develop a derivative or more advanced version of the product), or the scale of capital investments as a result of watches or watch straps becoming eligible for duty-free treatment under the GSP. *** replied “no,” and the other producers/assemblers responded as follows:

American Liberty ***

Belair ***

Hampden ***

Pedre ***

Hadley Roma ***

**CHAPTER 7: CERTAIN FOREIGN SUPPLIERS OF WATCHES AND
WATCH STRAPS, BANDS, AND BRACELETS**

Watch production/assembly of the subject watch categories in GSP-eligible countries is concentrated in the Philippines and Thailand (table 7-1). China and Hong Kong are among the largest non-GSP-eligible suppliers of subject watches to the United States. Although India (a GSP-eligible country) maintains a sizeable domestic watch industry, exports to the United States of subject watches are negligible.¹ Indonesia's domestic watch industry exports a relatively small volume of its production of the subject watches to the United States.² In terms of value, Switzerland is the largest global supplier of finished watches (including nonsubject watches) with exports worth \$9 billion in 2004, followed by Hong Kong (\$5.9 billion), China (\$2.1 billion), Japan (\$1 billion), and France (\$723 million). Together, Switzerland, Hong Kong, and China account for 80 percent of the value of watch exports.³

Table 7-1
Subject watches: Quantity of U.S. imports for consumption, by GSP-eligible country, 2002 through Jan.-June 2005¹

Country	2002	2003	2004	January-June 2005
			<i>units</i>	
Philippines	38,844,797	37,260,460	33,660,351	14,372,989
Thailand ²	28,511,360	33,234,375	29,601,421	14,174,609
Indonesia	8,026	24,490	238,003	3,033
Pakistan	0	5,400	59,680	0
Jordan	14,792	8,550	1,040	10,473
India	44,760	8,200	989	623
Russia	0	950	800	50
Bulgaria	0	350	623	0
Chile	0	0	600	3
Lebanon	3,396	0	396	16
Other	145,672	55,959	913	50,269
Total	67,572,803	70,598,734	63,564,816	28,612,065

¹ U.S. imports of subject watches from GSP-eligible countries other than the Philippines and Thailand during the period of review are erratic and likely reflect ***.

² ***.

Source: Derived from official statistics of the Department of Commerce.

¹ Timex claims that the watch industry in India has never been able to compete successfully outside of the domestic Indian market given its poor product quality, substantial inefficiencies, and high costs. Posthearing submission on behalf of Timex, Nov. 7, 2005, pp. 7-8. Additionally, Timex noted that its affiliate, Timex India, is focused on the domestic Indian market. USITC staff correspondence with ***.

² There is no known watch movement assembly in Indonesia. Posthearing submission on behalf of Timex, Nov. 7, 2005, p. 7.

³ See "The Swiss and World Watchmaking Industry in 2004," Federation of the Swiss Watch Industry FH, found at http://www.fhs.ch/statistics/watchmaking_2004.pdf, retrieved Dec. 13, 2005.

The Philippines

Timex is the sole known watch manufacturer in the Philippines. Less than *** percent of subject watches produced by Timex Philippines are sold in the Philippines. TMX Limited NV, which is organized under the laws of the Netherlands Antilles, is the principal supplier of finished watches to Timex Corporation. TMX Limited arranges with its Philippine subsidiary, TMX Philippines (“Timex Philippines”), for the manufacture of Timex’s watches in the Philippines.⁴ Timex established commercial operations in 1978 at facilities located in the Mactan Economic Zone I of Cebu. Operations include manual and automated assembly operations, hand and dial fabrication,⁵ acrylic lens manufacturing capabilities,⁶ and electroluminescent lamp production.⁷ ***.⁸ Timex Philippines produces approximately *** watches per year, including both subject and nonsubject watches, under its Timex brand.⁹ ***.¹⁰

*** capacity utilization rates during the period of review indicate that ***.¹¹ During 2002-04, average production capacity in the Philippines remained essentially ***, whereas production *** percent during 2002-04, resulting in *** capacity utilization rates, from *** percent in 2002 to *** percent in 2004 (table 7-2). During January-June 2005, Timex Philippines’ production of subject watches *** percent relative to the same period in 2004, whereas capacity remained ***, yielding slightly *** capacity utilization rates.

Table 7-2
Timex’s producer trade and related information for the Philippines

* * * * *

Total exports of subject watches from the Philippines declined during 2002-04, with exports ***. Exports to the United States account for the dominant share of Timex Philippines’ exports and shipments in terms of quantity and value during the period of review. During 2002-04, exports to the United States *** percent by quantity, and *** percent by value. However, during January-June 2005, exports to the United States *** percent relative to the same period the previous year.¹² In terms of exports to other markets during 2002-04, Timex Philippines’ exports *** and also ***. During 2002-04, exports to the European Union ***, in part because of ***.¹³ During 2002-04, exports from the Philippines to Asia *** in terms of quantity, although export values *** slightly, ***. ***. In contrast to exports to the United States, the quantity of exports of subject watches from the Philippines to most other markets (excluding the United States) *** during January-June 2005, compared to the same period the previous year.

⁴ *** *** foreign producers’ questionnaire ***.

⁵ ***. *** foreign producers’ questionnaire ***.

⁶ Prehearing submission on behalf of Timex, Sept. 9, 2005, p. 28.

⁷ Except for manual assembly operations, USVI producers/assemblers do not possess these types of manufacturing capabilities and do not perform these types of operations.

⁸ Posthearing submission on behalf of Timex, Nov. 7, 2005, p. 7.

⁹ Prehearing submission on behalf of Timex, p. 29. Other brands produced by Timex Philippines include Acqua, Carriage, Essentials, Expedition, and Reefgear. These watch brands are referred to as “Timex-brand” watches because these brands are owned by Timex. Brands licensed by Timex include Guess, Nautica, and Timberland, which are sold by ***, and are produced at ***. Guess Collection and Versace-brand watches are produced in Switzerland. USITC staff email correspondence with ***, Dec. 12, 2005. ***.

¹⁰ ***.

¹¹ ***. Posthearing submission on behalf of Timex, Nov. 7, 2005, various pages.

¹² ***. Posthearing submission on behalf of Timex, Nov. 7, 2005, p. 20.

¹³ ***.

There are no known producers of watch straps, bands, and bracelets in the Philippines.¹⁴ Timex Philippines sources watch straps, bands, and bracelets from ***.¹⁵

Thailand

The Thai watch industry is the fifth-largest global supplier of watches¹⁶ and supplies a large volume of subject watches to the U.S. market (table 7-3). There are an estimated nine watch producers or watch part manufacturers in Thailand.¹⁷ However, according to ***, there are no known producers of finished watches in Thailand. *** believes there are only watch movement producers/assemblers located in Thailand.¹⁸ Between 2003 and 2004, U.S. imports for consumption of subject watches from Thailand decreased 3.8 percent to approximately 29.6 million watches, although U.S. 2004 imports were slightly higher than 2002 levels. Because the country of origin is conferred to the country in which the watch movement is produced/assembled, U.S. imports of subject watches from Thailand likely include U.S. imports of subject watches from countries other than Thailand that incorporate watch movements produced/assembled in Thailand. No information was found regarding the watch strap, band, and bracelet industry in Thailand.

¹⁴ USITC staff correspondence with ***.

¹⁵ ***.

¹⁶ Hearing transcript, pp. 24-25.

¹⁷ The AWA cites Ronda Thailand, Seiko Instruments, Seiko PC, Takane Bangkok Industry Co., Marquis Co., Siam Dial Co., Cosmo Group Public Co., Progress Watch Co., and Watzmat Ltd. AWA posthearing brief, p. 28. Ronda (Thailand) Co. Ltd. was established in 1989 as a subsidiary of the Swiss Ronda Group. Ronda operated movement assembly facilities in the Virgin Islands; however, assembly operations were later transferred to Thailand. Hearing transcript, p. 74. Ronda Thailand assembles Swiss Parts watch movements, which it sells through a subsidiary of Ronda Group located in Hong Kong. Posthearing submission on behalf of the AWA, Nov. 7, 2005, p. 29; "Swiss President Joseph Deiss Visits Ronda Thailand," *Europa Star*, May 5, 2004, found at http://www.europastar.com/europastar/headlines/article_display.jsp?vnu_content_id=1000500665, retrieved Dec. 12, 2005. Seiko Thailand was established in 1989 as a subsidiary of Seiko Watch Corp., part of the Japan-based Seiko Corp. Cosmo Group Public Co. produces watch dials and watch cases and bracelets. Progress Watch Co. Thailand was established in 1974 as a watch case manufacturing facility and produces 70,000 to 100,000 watch cases monthly.

¹⁸ ***.

Table 7-3**U.S. imports for consumption from Thailand, by HTS 8-digit subheading, 2002 through January-June 2005¹**

HTS subheading	2002	2003	2004	Jan.-June 2004	Jan.-June 2005
	-----quantity in units-----				
9102.11.10	7,037,008	5,555,828	5,079,649	2,648,637	2,947,301
9102.11.25	17,079,442	17,143,512	14,292,944	6,233,112	6,799,011
9102.11.30	661,457	425,553	646,398	153,581	305,542
9102.11.45	2,711,079	8,923,646	8,125,931	3,733,755	3,539,129
9102.19.20	458,531	598,035	675,037	265,753	275,608
9102.19.40	562,649	585,894	780,562	264,961	307,586
9102.91.40	1,194	1,907	900	432	432
Total	28,511,360	33,234,375	29,601,421	13,300,231	14,174,609

¹ ***.

Source: Derived from official statistics of the Department of Commerce.

India

The Indian watch market was estimated in 2001 (the most recent year for which comprehensive market information is available) at 25 million watches per year and had experienced annual demand growth of 15-17 percent.¹⁹ In 2001, quartz analog watches accounted for approximately 80 percent of watch sales, followed by mechanical watches (15 percent) and digital watches (5 percent).²⁰ Indian consumers tend to prefer a gold with a yellow hue used in Indian watches, versus a whiter gold preferred by watch consumers in most other countries around the world.²¹

The organized (formal) market sector accounts for 50 percent of watch sales, with most watch production and marketing focused on the domestic Indian market.²² Exports of subject watches to the United States were small during 2002-04, totaling 989 units in 2004 (table 7-4).

¹⁹ See U.S. Commercial Service Market Research, "Overview of the Watch Industry," Aug. 9, 2001, found at <http://www.buyusa.net>, retrieved Dec 12, 2005.

²⁰ See U.S. Commercial Service Market Research, "Overview of the Watch Industry," Aug. 9, 2001, found at <http://www.buyusa.net>, retrieved Dec 12, 2005.

²¹ USITC staff email correspondence with ***, Dec. 20, 2005.

²² TATA Group, "Titan Machine Stays Ahead of Its Time," found at http://www.tata.com/titan/articles/20020531_titan.htm, retrieved Dec. 12, 2005. Watches in the unorganized sector are sold without invoices to avoid payment of duties. As of 2001, the unorganized sector, including watches smuggled into India, accounted for approximately half of the total watch market. See U.S. Commercial Service Market Research, "Overview of the Watch Industry," Aug. 9, 2001, found at <http://www.buyusa.net>, retrieved Dec. 12, 2005.

Table 7-4
U.S. imports for consumption from India, by HTS 8-digit subheading, 2002 through January-June 2005

HTS subheading	2002	2003	2004	Jan.-June 2004	Jan.-June 2005
	-----quantity in units-----				
9102.11.10	0	0	0	0	0
9102.11.25	44,390 ¹	0	0	0	574
9102.11.30	0	8,200	516	0	0
9102.11.45	370	0	273	270	49
9102.19.20	0	0	0	0	0
9102.91.40	0	0	200	0	0
Total	44,760	8,200	989	270	623

¹ ***.

Source: Derived from official statistics of the Department of Commerce.

Three watch producers, Titan Industries, Timex India, and government-operated HMT Watches, account for 80-85 percent of watch production in the organized sector.²³ Titan Industries, formed in 1984 as a joint venture between the Indian conglomerate TATA Group and the Tamil Nadu Industrial Development Corporation, is India's leading producer of watches. Titan's brand portfolio includes such brands as Titan and Sonata, as well as such international labels as Tommy Hilfiger, which the company produces under a license agreement.²⁴ Titan produces approximately 6 million watches per year.²⁵

Timex India, established in 1988 and affiliated with Timex Corp., is the second-largest watch manufacturer in India. Timex India is focused on the domestic Indian market. Exports in the fiscal year ending in March 2005 reportedly totaled ***, which was less than *** of Timex India's total sales.²⁶ During this time, Timex India ***.²⁷ Timex India reportedly does not assemble or produce movements or utilize pre-assembled movements or other watch parts from Timex's production facilities in the Philippines.²⁸ ***.²⁹

²³ See U.S. Commercial Service Market Research, "Overview of the Watch Industry," Aug. 9, 2001, found at <http://www.buyusa.net>, retrieved Dec 12, 2005.

²⁴ Posthearing submission on behalf of the AWA, p. 32.

²⁵ TATA Group, "Titan Machine Stays Ahead of Its Time," found at http://www.tata.com/titan/articles/20020531_titan.htm, retrieved Dec. 12, 2005.

²⁶ USITC staff email correspondence with ***, Dec. 20, 2005.

²⁷ ***. USITC staff email correspondence with ***, Dec. 20, 2005.

²⁸ Posthearing submission on behalf of Timex, Nov. 7, 2005, pp. 8-9.

²⁹ ***. USITC staff email correspondence with ***, Dec. 20, 2005.

China

The watch industry in China has grown considerably over the last two decades.³⁰ In 2004, China exported 1 billion timepieces, making the country the world's largest exporter of finished watches.³¹ China currently accounts for approximately 70 percent of global annual watch production.³² In terms of value, China was the third-largest exporter of finished watches, with exports valued at \$2.1 billion in 2004, or an increase of 5 percent compared to 2003 export values.³³ U.S. import data indicate that China was the second-largest exporter of subject watches to the United States during 2002 through the first half of 2005 and accounted for between 15.5 percent and 18.6 percent of U.S. imports of subject watches during the period (table 7-5). U.S. imports for consumption of subject watches from China increased 11.5 percent between 2003 and 2004.

Table 7-5
U.S. imports for consumption from China, by HTS 8-digit subheading, 2002 through January-June 2005

HTS subheading	2002	2003	2004	Jan.-June 2004	Jan.-June 2005
	-----quantity in units-----				
9102.11.10	2,930,999	4,488,029	4,861,118	2,163,919	1,318,851
9102.11.25	43,058,314	34,033,602	32,198,593	13,823,317	13,956,262
9102.11.30	1,155,723	1,267,473	1,579,228	741,379	451,579
9102.11.45	35,451,456	35,313,005	47,834,384	18,242,200	18,801,256
9102.19.20	5,925,073	4,037,297	3,780,599	1,680,613	1,686,464
9102.19.40	3,009,431	4,158,456	4,758,493	2,100,866	3,180,024
9102.91.40	3,166,606	4,625,212	3,060,920	979,677	1,066,205
Total	94,697,602	87,923,074	98,073,335	39,731,971	40,460,641

Source: Derived from official statistics of the Department of Commerce.

Individual Chinese manufacturers produce watch component supplies, including cases, bracelets, dials, hands, and metal plating, as well as complete watches in the low- to mid-price market segments for both domestic and international watch brands.³⁴ Increasingly, the development of a domestic Chinese luxury market has spawned an influx of international brands. International brands such as Rolex, Omega, Breguet, and Jaeger-Le Coultre have already established a presence in the Chinese market, and almost 100 brands of domestic Chinese manufacturers have been registered.³⁵

³⁰ For a discussion of the growth of the Chinese watch industry in the 1980s, see *Probable Economic Effects of Providing Duty-Free Treatment for Watches under the Generalized System of Preferences* (inv. No. TA-131(b)-13, TA-503(a)-17, and 332-266), USITC publication 2181, Apr. 1989; and The Federation of Hong Kong Watch Trades and Industries, Ltd., "China's Watch and Clock Industry," found <http://fdwatch.asiansources.com/INDUSTRY/INDUSTRY1.HTM>, retrieved Dec. 13, 2005.

³¹ See "The Swiss and World Watchmaking Industry in 2004."

³² "Chinese Watch Industry Eyes Luxury Consumers," *China Economic Net* (Nov. 10, 2005), found at http://en.ce.cn/Insight/200510/11/t20051011_4899786.shtml, retrieved Dec. 13, 2005.

³³ In terms of value, Switzerland was the largest exporting country of finished watches with exports worth \$9 billion in 2004, followed by Hong Kong (\$5.9 billion), China (\$2.1 billion), Japan (\$1 billion), and France (\$723 million). Together, Switzerland, Hong Kong, and China accounted for 80 percent of watch exports in terms of value in 2004. See "The Swiss and World Watchmaking Industry in 2004."

³⁴ See The Federation of Hong Kong Watch Trades & Industries, Ltd., "The Development of the Watch and Clock Industry in Hong Kong."

³⁵ "Chinese Watch Industry Eyes Luxury Consumers," *China Economic Net* (Nov. 10, 2005).

Hong Kong

Exports from Hong Kong reached \$5.9 billion in 2004, up 9 percent from 2003.³⁶ Battery-powered wrist watches, including both quartz analog and digital watches, accounted for over 60 percent of total exports.³⁷ Reportedly, a large portion of Hong Kong's watch exports include re-exports from third-party countries.³⁸ The watch industry relies heavily on imported watch components to produce finished watches.³⁹ For example, watch movements often are imported from either Switzerland or Japan; bracelets and watch cases originate in China and Japan.⁴⁰ ***⁴¹ Component parts such as assembled movements, cases, straps, dials, and parts for watch cases are also exported from Hong Kong.⁴² Most manufacturing operations in Hong Kong include product development, design, watch assembly, and quality control procedures, which, despite high labor costs, usually account for less than 30 percent of a timepiece's FOB price.⁴³

Hong Kong is the fifth-largest supplier of subject watches to the United States. Between 2002 and 2004, U.S. imports of subject watches from Hong Kong increased by approximately 13.4 percent to over 29.6 million watches (table 7-6).

Table 7-6
U.S. imports for consumption from Hong Kong, by HTS 8-digit subheading, 2002 through January-June 2005

HTS subheading	2002	2003	2004	Jan.-June 2004	Jan.-June 2005
-----quantity in units-----					
9102.11.10	1,067,320	318,746	3,210,497	512,845	1,856,177
9102.11.25	14,007,789	11,704,357	10,715,381	5,265,131	3,841,849
9102.11.30	438,775	90,342	445,908	30,772	252,247
9102.11.45	10,131,890	12,981,760	14,424,735	69,71,005	4,655,019
9102.19.20	208,514	1,057,573	237,769	107,134	85,391
9102.19.40	65,030	547,614	411,206	166,913	305,524
9102.91.40	182,855	259,461	179,082	113,165	116,062
Total	26,102,173	26,959,853	29,624,578	13,186,965	11,112,269

Source: Derived from official statistics of the Department of Commerce.

³⁶ See "The Swiss and World Watchmaking Industry in 2004."

³⁷ Ibid.

³⁸ See "The Swiss and World Watchmaking Industry in 2004" and hearing transcript, p. 62.

³⁹ Hong Kong Trade Development Council, "Hong Kong's Watches and Clocks Industry," Aug. 2005.

⁴⁰ "High cost of CEPA requirements makes scheme impractical for sector," *South China Morning Post*, Sept. 1, 2004. During the GSP hearing, Timex stated that "the (watch) movements can be purchased in Hong Kong on the open market, basically Japanese movements, and they (Japanese watch movements) come out of automated factories." Hearing transcript, p. 61.

⁴¹ ***

⁴² Hong Kong Trade Development Council, "Hong Kong's Watches and Clocks Industry," Aug. 2005.

⁴³ "High cost of CEPA requirements makes scheme impractical for sector," *South China Morning Post*, Sept. 1, 2004.

APPENDIX A

**U.S. Trade Representative's Request Letter
and
U.S. International Trade Commission's Notice of Investigation**

EXECUTIVE OFFICE OF THE PRESIDENT
THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON, D.C. 20508

DOCKET NUMBER

2443

Office of the
Secretary
of the
United States Trade Commission

AUG 9 2005

2005 AUG -8 AM 2:45

*For transmission
Accepted by
Secretary
8/9/05*

The Honorable Stephen Koplan
Chairman
United States International Trade
Commission
500 E Street, S.W.
Washington, D.C. 20436

Dear Chairman Koplan:

The Trade Policy Staff Committee (TPSC) has recently decided and will announce in the Federal Register to accept certain product petitions for the 2005 Annual Review for modification of the Generalized System of Preferences (GSP). For the most part, modifications to the GSP program which may result from this review will be announced in the spring of 2006 and become effective in the summer of 2006.

In accordance with sections 501, 503(a)(1)(A), 503(e) and 131(a) of the Trade Act of 1974, as amended ("the 1974 Act"), and pursuant to the authority delegated to me by the President in sections 4(c) and 8(c) and (d) of Executive Order 11846 of March 31, 1975, as amended, I hereby notify the U.S. International Trade Commission (Commission) that the articles identified in Part A of the annex to this letter ("the annex") are being considered for designation as eligible articles, as set forth in sections 501, 503(a)(1)(A) of the 1974 Act, for purposes of the GSP program.

In accordance with sections 501, 503(a)(1)(A), 503(e) and 131(a) of the 1974 Act, and under authority delegated to me by the President, pursuant to section 332(g) of the Tariff Act of 1930, I request that the Commission provide its advice, with respect to the articles identified in Part A of the annex, as to the probable economic effect on United States industries producing like or directly competitive articles and on consumers of the elimination of U.S. import duties for all beneficiary developing countries under the GSP program.

In addition, I request that the Commission provide its advice, with respect to each of the watches identified in Case Nos. 2005-02 through 2005-08 in Part A of the annex, as to the probable economic effect on United States industries (defined for watches and watch bands, straps and bracelets as those located in the United States and the United States insular possessions) manufacturing or assembling watches, watch bands, straps or bracelets of the elimination of U.S. import duties under the GSP program. In addition to advice on the probable economic effect on these industries as a single geographic unit, the Commission should provide separate advice on the probable economic effect of such action on the watch manufacturing and assembly industry and the watch band, strap and bracelet manufacturing and assembly industry and for each geographic area (the United States and the United States insular possessions).

In providing its advice on the articles in Part A of the annex, I request the Commission to assume that the benefits of the GSP program

The Honorable Stephan Koplan
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would not apply to imports that would be excluded from receiving such benefits by virtue of the competitive need limits specified in section 503(c) (2) (A) of the 1974 Act.

I further request,

a) in order to form a basis for the injury determination required by section 503(b) (1) (b) of the 1974 Act for the watches identified in Case Nos. 2005-02 through 2005-08 in Part A of the annex, that the Commission provide, to the maximum extent possible, data and analysis on the following factors for the most recent three-year period for the United States industries (as defined above) manufacturing or assembling watches or manufacturing or assembling watch bands, straps or bracelets: annual production, capacity, capacity utilization, domestic shipments, exports, inventories, employment, wages, financial experience (including prices), the potential decline in output, market share, profits, productivity and return on investment, the potential negative effects on cash flow, the ability to raise capital and investment, any rapid increases in import penetration and the likelihood that such penetration will rise to an injurious level, factors affecting domestic prices, and any other factors that the Commission deems relevant. Also, that data be provided for the most recent three-year period, to the extent possible, on the following factors for current and potential foreign production: current and potential production capacity and capacity utilization, domestic shipments, and exports to the United States and other markets.

b) with respect to the article listed in Part B of the annex, that the Commission provide its advice as to the probable economic effect on United States industries producing like or directly competitive articles, and on consumers of the restoration of benefits to the country specified for eligibility for duty-free treatment under the GSP program for such article; and

c) in accordance with section 503(d) (1) (A) of the 1974 Act, that the Commission provide advice on whether any industry in the United States is likely to be adversely affected by a waiver of the competitive need limitations specified in section 503(c) (2) (A) of the 1974 Act for the country specified with respect to the articles in Part C of the annex.

With respect to the competitive need limitation referred to in section 503(c) (2) (A) (i) (I) of the 1974 Act, the Commission is requested to use the dollar value limit of \$115,000,000.

Under the provisions of the 1974 Act, the Commission has up to six months to provide the advice requested herein in relating to sections 503(a) (1) (A), 503(e) and 131(a) of the 1974 Act on articles specified in Part A of the annex. However, it would be greatly appreciated if the requested advice could be provided by no later than 90 days from receipt of this letter. For Case Nos. 2005-02 through 2005-08 in Part A of the annex, however, the Commission is requested to provide the requested advice as soon as possible, but not later than 6 months

The Honorable Stephan Koplan
Page Three

after receipt of this letter. It would be greatly appreciated if, to the maximum extent possible, the probable economic effect advice and statistics (profile of the United States industry and market and United States import and export data) and any other relevant information or advice be provided separately and individually for each Harmonized Tariff Schedule subheading for all the cases in this investigation.

I direct you to mark as "Confidential" those portions of the Commission's report and related working papers that contain the Commission's advice on the probable economic effect on United States industries producing like or directly competitive articles and on consumers. All other parts of the report are unclassified, but the overall classification marked on the front and back covers of the report should be "Confidential" to conform with the confidential sections contained therein. All business confidential information contained in the report should be clearly identified.

When the Commission's confidential report is provided to my Office, the Commission should issue, as soon as possible thereafter, a public version of the report containing only the unclassified sections, with any business confidential information deleted.

The Commission's assistance in this matter is greatly appreciated.

Sincerely,



Rob Portman

Annex

The Harmonized Tariff Schedule of the United States (HTS) subheadings listed below have been accepted as product petitions for the 2005 Generalized System of Preferences (GSP) Annual Review for modification of the (GSP). The tariff nomenclature in the HTS for the subheadings listed below are definitive; the product descriptions in this list are for informational purposes only (except in those cases where only part of a subheading is the subject of a petition). The descriptions below are not intended to delimit in any way the scope of the subheading. The HTS may be viewed on <http://www.usitc.gov/tata/index.htm>.

Case No.	HTS Subheading	Brief Description	Petitioner
A. <u>Petitions to add products to the list of eligible articles for the Generalized System of Preferences.</u>			
2005-01	1302.39.0010	Carrageenan	Government of the Philippines; Seaweed Industry Association of the Philippines
2005-02	9102.11.10	Wrist watches not elsewhere specified or included, electrically operated, mechanical display only, 0-1 jewel, gold- or silver-plated case, band of textile material or base metal	Government of the Philippines; Timex Corporation, Middlebury, CT
2005-03	9102.11.25	Wrist watches not elsewhere specified or included, electrically operated, mechanical display only, 0-1 jewel, case other than gold- or silver-plated, with band of textile material or base metal	do.
2005-04	9102.11.30	Wrist watches not elsewhere specified or included, electrically operated, mechanical display only, 0-1 jewel, gold- or silver-plated case, with band of material not elsewhere specified or included	do.
2005-05	9102.11.45	Wrist watches not elsewhere specified or included, electrically operated, mechanical display only, 0-1 jewel, case other than gold- or silver-plated, with band of material not elsewhere specified or included	do.
2005-06	9102.19.20	Wrist watches not elsewhere specified or included, electrically operated, with both optoelectronic and mechanical displays, 0-1 jewel, band of textile material or base metal	do.
2005-07	9102.19.40	Wrist watches not elsewhere specified or included, electrically operated, with both optoelectronic and mechanical displays, 0-1 jewel, band of material not elsewhere specified or included	do.
2005-08	9102.91.40	Watches (excluding wrist watches) not elsewhere specified or included, electrically operated, with 0-1 jewel in the movement	do.

Annex
-2-

Case No.	HTS Subheading	Brief Description	Petitioner
<p>B. <u>Petition to restore duty-free status from a beneficiary developing country/countries for a product on the list of eligible articles for Generalized System of Preferences.</u></p>			
2005-09	2916.39.15 (India)	Ibuprofen	Shasun Chemicals and Drugs, Limited, India; Shasun USA, Inc., South Plainfield, NJ
<p>C. <u>Petitions for waiver of competitive need limits for a product on the list of eligible products for the Generalized System of Preferences.</u></p>			
2005-10	0804.50.80 (Philippines)	Guavas, mangoes, and mangosteens, dried	Government of the Philippines; Philippines Dried Mangoes Industry
2005-11	4412.19.40 (Brazil)	Plywood of wood sheets, not over 6 mm thick each, with outer plies of coniferous wood, with a face play not elsewhere specified or included, not surface covered or surface covered with clear material does not obscure grain	Industria de Compansados Guararapes Ltda., Brazil
2005-12	6802.21.10 (Turkey)	Monumental or building stone and articles thereof, of travertine, simply cut or sawn, with flat or even surface	Istanbul Mineral and Metals Exporters' Association, Turkey
2005-13	6802.91.20 (Turkey)	Monumental or building stone and articles thereof, of travertine, dressed or polished but not further worked, not elsewhere specified or included	do.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE
WASHINGTON, D.C. 20508

Received: 2/15/06
cc: Secretary
Industries
Operations
External Relations

FEB 14 2006

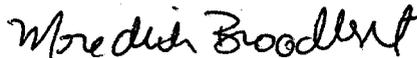
Ms. Lyn Schlitt
Director, Office of External Relations
U.S. International Trade Commission
500 E Street, SW
Washington, D.C. 20436

Dear Lyn,

I would like to direct that the advice prepared by the U.S. International Trade Commission regarding the seven petitions to make certain watches eligible for duty-free treatment under the Generalized System of Preferences be classified for a period of ten years from the date of issuance.

Thank you for your help in this regard. Should you have any questions, please let me know.

Sincerely,



Meredith Broadbent
Assistant U.S. Trade Representative
For Industry, Market Access and Telecommunications

Issued: August 15, 2005.

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 05-16544 Filed 8-19-05; 8:45 am]

BILLING CODE 7020-02-P

INTERNATIONAL TRADE COMMISSION

[Investigation No. 332-471]

Advice Concerning Possible Modifications to the U.S. Generalized System of Preferences, 2005 Special Review on Watches

AGENCY: United States International Trade Commission.

ACTION: Institution of investigation and scheduling of hearing.

SUMMARY: Following receipt on August 9, 2005 of a request from the United States Trade Representative (USTR) under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332 (g)), the Commission instituted investigation No. 332-471, Advice Concerning Possible Modifications to the U.S. Generalized System of Preferences, 2005 Special Review on Watches.

Background: As requested by the USTR, in accordance with sections 503(a)(1)(A), 503(e), and 131(a) of the Trade Act of 1974, as amended (1974 Act), and under section 332(g) of the Tariff Act of 1930, the Commission will provide advice with respect to the probable economic effect on U.S. industries producing like or directly competitive articles and on consumers of the elimination of U.S. import duties for all beneficiary developing countries under the GSP for the following HTS subheadings: 9102.11.10, 9102.11.25, 9102.11.30, 9102.11.45, 9102.19.20, 9102.19.40, and 9102.91.40. In providing its advice on these articles, the USTR asked that the Commission assume that the benefits of the GSP would not apply to imports that would be excluded from receiving such benefits by virtue of competitive need limits specified in section 503(c)(2)(A) of the 1974 Act. In his letter, the USTR also requested that the Commission provide advice concerning other modifications to the GSP as part of the 2005 review. The Commission will provide that advice in November 2005 in its report on investigation No. 332-470, Advice Concerning Possible Modifications to the U.S. Generalized System of Preferences, 2005 Review.

In addition, as requested by the USTR, the Commission will provide advice with respect to HTS subheadings 9102.11.10, 9102.11.25, 9102.11.30, 9102.11.45, 9102.19.20, 9102.19.40, and

9102.91.40, as to the probable economic effect on United States industries (defined for watches and watch bands, straps and bracelets as those located in the United States and United States insular possessions) manufacturing or assembling watches, watch bands, straps or bracelets of the elimination of U.S. import duties under the GSP program. In addition to advice on the probable economic effect on these industries as a single geographic unit, the Commission will also provide separate advice on the probable economic effect of such action on the watch manufacturing and assembly industry and the watch band, strap, and bracelet manufacturing and assembly industry and for each geographic area (the United States and the United States insular possessions).

As requested, the Commission will also provide, to the extent possible, data and analysis on the following factors for the most recent three year period for the United States industries (as defined above) manufacturing or assembling watches or manufacturing or assembling watch bands, straps or bracelets: annual production, capacity, capacity utilization, domestic shipments, exports, inventories, employment, wages, financial experience (including prices), the potential decline in output, market share, profits, productivity and return on investment, the potential negative effects on cash flow, the ability to raise capital and investment, any rapid increases in import penetration and the likelihood that such penetration will rise to an injurious level, factors affecting domestic prices, and any other factors that the Commission deems relevant. The Commission will also provide data for the most recent three-year period, to the extent possible, on the following factors for current and potential foreign producers: current and potential production capacity and capacity utilization, domestic shipments, and exports to the United States and other markets.

As requested by the USTR, the Commission will seek to provide its advice no later than February 17, 2006.

DATES: Effective August 9, 2005.

FOR FURTHER INFORMATION CONTACT: Project Leader, Cynthia B. Foreso ((202) 205-3348 or cynthia.foreso@usitc.gov) or Deputy Project Leader, Alan Treat ((202) 205-3426 or alan.treat@usitc.gov)

The above persons are in the Commission's Office of Industries. For more information on legal aspects of the investigation, contact William Gearhart of the Commission's Office of the General Counsel at (202) 205-3091 or william.gearhart@usitc.gov. The media

should contact Margaret O'Laughlin, Office of External Relations at (202) 205-1819 or margaret.olaughlin@usitc.gov. Hearing impaired individuals are advised that information on this matter can be obtained by contacting the TDD terminal on (202) 205-1810. General information concerning the Commission may also be obtained by accessing its internet server (<http://www.usitc.gov>). The public record for these investigations may be viewed on the Commission's electronic docket (EDIS-ONLINE) at <http://edis.usitc.gov/hvwebex>.

Public Hearing: A public hearing in connection with this investigation is scheduled to begin on September 29, 2005 following the close of the hearing on investigation No. 332-470, Advice Concerning Possible Modifications to the U.S. Generalized System of Preferences, 2005 Review (Investigation No. 332-470), at the United States International Trade Commission Building, 500 E Street, SW., Washington, DC. All persons have the right to appear by counsel or in person, to present information, and to be heard. Persons wishing to appear at the public hearing should file a letter with the Secretary, United States International Trade Commission, 500 E St., SW., Washington, DC 20436, not later than the close of business (5:15 p.m.) on September 9, 2005, in accordance with the requirements in the "Submissions" section below.

Written Submissions: In lieu of or in addition to participating in the hearing, interested parties are invited to submit written statements or briefs concerning these investigations. All written submissions, including requests to appear at the hearing, statements, and briefs, should be addressed to the Secretary, United States International Trade Commission, 500 E Street, SW., Washington, DC 20436. Any prehearing statements or briefs should be filed not later than 5:15 p.m., September 12, 2005; the deadline for filing posthearing statements or briefs is 5:15 p.m., November 7, 2005. All written submissions must conform with the provisions of section 201.8 of the Commission's Rules of Practice and Procedure (19 CFR 201.8). Section 201.8 of the rules requires that a signed original (or a copy designated as an original) and fourteen (14) copies of each document be filed. In the event that confidential treatment of the document is requested, at least four (4) additional copies must be filed, in which the confidential information must be deleted (see the following paragraph for further information

regarding confidential business information). The Commission's rules do not authorize filing submissions with the Secretary by facsimile or electronic means, except to the extent permitted by section 201.8 of the rules (see Handbook for Electronic Filing Procedures, http://hotdocs.usitc.gov/pubs/electronic_filing_handbook.pdf).

Any submissions that contain confidential business information must also conform with the requirements of section 201.6 of the Commission's Rules of Practice and Procedure (19 CFR 201.6). Section 201.6 of the rules requires that the cover of the document and the individual pages be clearly marked as to whether they are the "confidential" or "nonconfidential" version, and that the confidential business information be clearly identified by means of brackets. All written submissions, except for confidential business information, will be made available in the Office of the Secretary to the Commission for inspection by interested parties.

The Commission may include some or all of the confidential business information submitted in the course of these investigations in the report it sends to the USTR. As requested by the USTR, the Commission will publish a public version of the report. However, in the public version, the Commission will not publish confidential business information in a manner that would reveal the operations of the firm supplying the information.

Persons with mobility impairments who will need special assistance in gaining access to the Commission should contact the Secretary at (202) 205-2000.

By order of the Commission.

Issued: August 15, 2005

Marilyn R. Abbott,

Secretary to the Commission.

[FR Doc. 05-16606 Filed 8-19-05; 8:45 am]

BILLING CODE 7020-02-P

DEPARTMENT OF JUSTICE

Bureau of Alcohol, Tobacco, Firearms and Explosives

Agency Information Collection Activities: Proposed Collection; Comments Requested

ACTION: 30-Day Notice of Information Collection Under Review: Report of Firearms Transactions.

The Department of Justice (DOJ), Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) has submitted the following information collection request

to the Office of Management and Budget (OMB) for review and approval in accordance with the Paperwork Reduction Act of 1995. The proposed information collection is published to obtain comments from the public and affected agencies. This proposed information collection was previously published in the **Federal Register** Volume 70, Number 94, page 28319 on May 17, 2005, allowing for a 60 day comment period.

The purpose of this notice is to allow for an additional 30 days for public comment until September 21, 2005. This process is conducted in accordance with 5 CFR 1320.10.

Written comments and/or suggestions regarding the items contained in this notice, especially the estimated public burden and associated response time, should be directed to the Office of Management and Budget, Office of Information and Regulatory Affairs, Attention Department of Justice Desk Officer, Washington, DC 20503. Additionally, comments may be submitted to OMB via facsimile to (202) 395-5806. Written comments and suggestions from the public and affected agencies concerning the proposed collection of information are encouraged. Your comments should address one or more of the following four points:

- Evaluate whether the proposed collection of information is necessary for the proper performance of the functions of the agency, including whether the information will have practical utility;
- Evaluate the accuracy of the agencies estimate of the burden of the proposed collection of information, including the validity of the methodology and assumptions used;
- Enhance the quality, utility, and clarity of the information to be collected; and
- Minimize the burden of the collection of information on those who are to respond, including through the use of appropriate automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g., permitting electronic submission of responses.

Overview of This Information Collection

(1) *Type of Information Collection:* Extension of a currently approved collection.

(2) *Title of the Form/Collection:* Report of Firearms Transactions.

(3) *Agency form number, if any, and the applicable component of the Department sponsoring the collection:*

Form Number: ATF F 5300.5. Bureau of Alcohol, Tobacco, Firearms and Explosives.

(4) *Affected public who will be asked or required to respond, as well as a brief abstract:* Primary: Business or other for-profit. Other: None. The information collection documents transactions of firearms for law enforcement purposes. ATF uses the information to determine that the transaction is in accordance with laws and regulations, and establishes the person(s) involved in the transactions.

(5) *An estimate of the total number of respondents and the amount of time estimated for an average respondent to respond/reply:* It is estimated that 250 respondents will complete a 1-hour form.

(6) *An estimate of the total public burden (in hours) associated with the collection:* There are an estimated 250 annual total burden hours associated with this collection.

If additional information is required contact: Brenda E. Dyer, Department Clearance Officer, United States Department of Justice, Justice Management Division, Policy and Planning Staff, Patrick Henry Building, Suite 1600, 601 D Street NW., Washington, DC 20530.

Dated: August 17, 2005.

Brenda E. Dyer,

Department Clearance Officer, Department of Justice.

[FR Doc. 05-16549 Filed 8-19-05; 8:45 am]

BILLING CODE 4410-FY-P

DEPARTMENT OF JUSTICE

Bureau of Alcohol, Tobacco, Firearms and Explosives

Agency Information Collection Activities: Proposed Collection; Comments Requested

ACTION: 60-Day Notice of Information Collection Under Review: Records and Supporting Data: Daily Summaries, Records of Production, Storage, and Disposition, and Supporting Data by Licensed Explosives Manufacturers.

The Department of Justice (DOJ), Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF), has submitted the following information collection request to the Office of Management and Budget (OMB) for review and approval in accordance with the Paperwork Reduction Act of 1995. The proposed information collection is published to obtain comments from the public and affected agencies. Comments are encouraged and will be accepted for

APPENDIX B

**List of Witnesses Appearing Before the U.S. International Trade Commission
at the Hearing on September 29, 2005**

CALENDAR OF PUBLIC HEARING

Those listed below appeared as witnesses at the United States International Trade Commission's hearing:

Subject: Advice Concerning Possible Modifications to the U.S. Generalized System of Preferences, 2005 Special Review on Watches

Inv. No.: 332-471

Date and Time: September 29, 2005 - 2:00 p.m.

Sessions were held in connection with this investigation in the Main Hearing Room (room 101), 500 E Street, S.W., Washington, D.C.

CONGRESSIONAL APPEARANCE:

The Honorable Donna M. Christensen, U.S. Delegate, Virgin Islands

EMBASSY APPEARANCE:

Embassy of the Philippines
Washington, D.C.

His Excellency Albert Ferreros Del Rosario, Ambassador to the United States

Romeo G. Borillo, Commercial Counselor

ORGANIZATION AND WITNESS:

St. Maxens & Company
Washington, D.C.
on behalf of

Timex Corporation

Frank A. Sherer, General Counsel and Senior Vice
President, Human Resources/Legal, Timex
Corporation

Ryan Roth, Corporate Counsel, Timex Corporation

Laura Baughman, President, The Trade Partnership

Thomas F. St. Maxens, President, St. Maxens & Company

Winston & Strawn
Washington, D.C.
on behalf of

The Government of the U.S. Virgin Islands (“GVI”)

Joseph Wein, Chairman and CEO, Hampden
Watch Company

Alan Grunwald, President, Belair Quartz, Inc.
and Belair Time Corporation

Peter N. Hiebert)
) – OF COUNSEL
Edward F. Gerwin, Jr.)

ORGANIZATION AND WITNESS:

Covington & Burling
Washington, D.C.
on behalf of

The American Watch Association (“AWA”)

Kenneth R. Button, Senior Vice President,
Economic Consulting Services, LLC

Emilio G. Collado, Executive Director, AWA

David R. Grace)
Roderick A. DeArment) – OF COUNSEL
Probir J. Mehta)

-END-

APPENDIX C

Positions of Interested Parties

POSITIONS OF INTERESTED PARTIES

Petitioner Requesting the Addition of Certain Watches to the List of Articles Eligible for Duty-Free Treatment Under the GSP

Timex Corporation

Timex Corporation (“Timex”) and the Philippine government filed petitions requesting that seven categories of watches be added to the list of articles eligible for duty-free GSP treatment. Timex, as well as the Government of the Philippines, believe that the addition of the specified categories of watches will prevent further erosion in the competitive position of the Philippine watch industry—namely, Timex’s subsidiary TMX Philippines, which is reportedly the sole watch producer in the Philippines—due to increased competition from nonbeneficiary-country watch suppliers. The petitioner believes that the Philippines is the primary beneficiary country expected to benefit from this GSP action, given the Philippines’ existing assembly capabilities and relative absence of such assembly capabilities in other GSP beneficiary countries.

Timex, headquartered in Middlebury, CT, and incorporated in Delaware, is part of the Timex group of companies. Timex’s principal supplier of finished watches is TMX Limited N.V. (TMX Limited), an affiliated company that arranges with Timex’s subsidiary TMX Philippines for the manufacture of watches in the Philippines. According to Timex, TMX Philippines is the sole watch producer in the Philippines and manufactures all watches covered under the petition, as well as other watches not covered under the petition.

Timex believes that a number of developments have occurred in recent years that warrant an addition to the list of GSP-eligible watch categories. First, the scope of the current petition is much more narrow than the previous review, covering seven watch categories rather than all watch categories. Additionally, the current petition is narrower in geographic scope, as 43 other developing countries that were GSP-eligible at the time of the previous review now maintain duty-free treatment on all watches, including those covered under the petition, through other means.

Second, on average during 2000-04, 90 percent of the value of total U.S. imports of all watches and 82 percent of total U.S. imports of the subject watches originated in Switzerland, Japan, China, and Hong Kong. During the same period, GSP beneficiary countries (excluding Thailand) accounted for an average of 3 percent of total U.S. imports of all watches. United States imports of subject watches from the Philippines have decreased from 8.6 percent to 6.9 percent during the same period.

Third, federal benefits and protections accorded to watch producers in the U.S. Virgin Islands have been strengthened. The extension of the benefits of the Production Incentive Certificate (PIC) program has helped the U.S. Virgin Islands diversify its employment base, leading to an expansion of the jewelry industry, which Timex believes will surpass the USVI’s shipments of watches in the future. Whereas 20 percent of USVI shipments to the United States entered under the seven watch categories covered under the petition, only approximately 7 percent of the Philippines’ shipments to the United States enter under the same watch categories. The U.S. Virgin Islands accounted for 0.1 percent of apparent U.S. consumption of the subject watches. Finally, whereas Timex watches are generally sold through mass merchandisers, Timex believes that most watches assembled in the U.S. Virgin Islands are high-value watches sold in niche markets through high-end retailers and department stores in the United

States. Timex believes that the USVI producers' ability to sell to mass merchandisers is constrained by their ability to produce the quantities needed to serve that market.

Timex believes that its declining competitiveness is due to a deterioration of Timex's cost competitiveness relative to overseas competitors. The average unit values of watches produced at Timex's Philippine facilities are higher than for the same watches imported from China and Hong Kong, as well as from other GSP beneficiary countries. As a result of competition from lower-cost producers, TMX Philippines' production of quartz analog watches made with Cebu-assembled movements has declined by approximately 24 percent. TMX Philippines' capacity, capacity utilization rates, and exports to the United States have all declined during 2002-04. Timex estimates that production, capacity, capacity utilization rates, and employment figures will improve if the subject watch categories are granted GSP treatment. The majority of TMX Philippines' watch production is exported to the United States.

In Opposition of the Petition to Add Certain Watches to the List of Articles Eligible for Duty-Free Treatment Under the GSP

The Government of the U.S. Virgin Islands (GVI)

The GVI opposes the petition to add the subject watches to the list of GSP-eligible articles. The GVI believes that the extension of GSP treatment to the subject watches as requested by Timex Corp. and the Government of the Philippines would be inconsistent with laws that the U.S. Congress has established to prevent injury to the USVI watch industry. The GVI believes that, pursuant to previous U.S. law enacted to help preserve the USVI watch industry, neither Timex Corp. nor the Government of the Philippines can reasonably demonstrate that GSP treatment will not result in material injury to watch production or assembly in the United States or U.S. insular possessions. The GVI therefore believes that the requested GSP treatment must be denied.

The U.S. Virgin Islands is an insular possession of the United States. Since the establishment of a USVI watch industry in the late 1950s, Congress and successive administrations have enacted a series of laws and incentives designed to promote and protect watch production in the U.S. Virgin Islands, notably during periods of industry decline. For example, following a decline in the USVI watch industry in the 1970s, Congress designated watches as import sensitive and ineligible for GSP consideration. In 1983, Congress created a watch incentive program, the Production Incentive Certificate (PIC), to assist the USVI watch industry during a period of industry decline due to a shift in consumer preferences to quartz analog watches.

In 2004, Congress passed legislation that would allow USVI watch producers to receive additional PIC program credits in the event of future worldwide reductions in watch duties. The GVI believes that this legislation supercedes the petitioners' request for the extension of GSP eligibility to cover the subject watches, as the legislation would allow for comprehensive negotiations on watch duties, as well as ensure that the USVI watch industry would not suffer any adverse effects.

The GVI believes that the petitioners will be unable to meet their statutory requirement to show that GSP treatment of the subject watches will not cause material injury to the USVI watch industry. On the contrary, the GVI believes that the extension of GSP benefits to include the subject watches

would provide additional cost and price advantages to imports from countries such as the Philippines and Thailand, which would be detrimental to the USVI watch industry.

The GVI believes that the USVI watch industry is still vulnerable to duty-free imports. Since 1989, the USVI watch industry has experienced a decline in the number of watch producers' shipments to the United States, and a decline in employment. The GVI believes that the current state of the USVI watch industry makes it all the more vulnerable to low-cost imports, notably from the Philippines and Thailand, which the GVI believes would pose a real and immediate threat to the USVI watch industry if the subject watches are granted GSP treatment.

American Watch Association (AWA)¹

The AWA opposes the petition to add the seven watch categories under consideration to the list of GSP-eligible articles. The AWA believes that the elimination of U.S. import duties on the subject watches will materially injure both the U.S. domestic watch industry and those watch industries located in U.S. insular possessions, including the U.S. Virgin Islands.

The AWA is an association that represents more than 50 companies involved in watch manufacture, assembly (including watch movements and other watch products), and trade. Most principal watch companies located in the United States are members of the AWA.

The AWA does not believe that the extension of GSP eligibility to include the subject watches will only benefit the Philippines. Rather, the AWA believes that careful consideration to the potential impact of additional watch shipments from other GSP-eligible countries, including Thailand, is warranted. Additionally, the AWA believes that the elimination of U.S. import duties on these watch categories will result in market distortions that will harm other companies that comprise the U.S. watch industry. Regarding Timex Corp., the AWA believes that, by granting GSP eligibility to the subject watches, Timex would be able to undercut domestic competition through lower prices and endanger a number of jobs in the U.S. watch industry, resulting in material injury.

The AWA further believes that an extension of GSP eligibility to the subject watches would be tantamount to a unilateral reduction in U.S. import duties that would hinder ongoing efforts to obtain a global reduction in tariff rates through the WTO Doha Round Negotiations. The AWA believes that such unilateral action would cause injury to the U.S. industry and to production in the U.S. Virgin Islands, as there would be no accompanying benefits to the U.S. industry following expansion of GSP eligibility to cover the subject watches.

¹ AWA member companies and brands are Accutron, A. Lange & Sohne, Audemars Piguet, Baby G, Baumer & Mercier, Bedat, Blancpain, Boegli, Boucheron, Breguet, Breitling, Bulova, Bulgari, Calvin Klein/CK, Coach, Casio, Casio Sport, Caravelle, Cartier, Chopard, Christian Dior, Club-G, Citizen, Colossal, Concord, Corum, Cyma, Daniel Jean Richard, David Yurman, Ebel, ESQ, Flik Flak, Formex, G Shock, Gerald Genta, Gevril, Glashutte, Gucci, Hamilton, Harry Winston, Hartcase, Hirsch, Hublot, IWC International, Jaquet Droz, Jaeger Le Coultre, Jean Marcel, Jules Borel, Jean Hatot, Longines, Louis Renard, Marc Anton, Maurice Lacroix, MDM, Michael Antony, Movado, Mont Blanc, Oceanus, Officine Panerai, Omega, Parmigiani Fleurier, Patek Philippe, Pathfinder, Paul Picot, Philippe Carriol, Piaget, Pierre Balmain, Pulsar, Rado, Raymond Weil, Redline, Rocket, Roger Dubuis, Rolex, Seiko, Selco, Seville, Speidel, Swatch, Tag Heuer, TFX, Tiffany, Tissot, Tommy Hilfiger, Town & Country, Tudor, Underwood, Vacheron Constantin, Van Cleef & Arpels, Wittnauer, Yves Saint Laurent, Zenith, and Zodiac.

APPENDIX D

Model for Evaluating Probable Economic Effects of Changes in GSP Status

MODEL FOR EVALUATING THE PROBABLE ECONOMIC EFFECT OF CHANGES IN GSP STATUS

This appendix presents the method used to analyze the effects of immediate tariff elimination for selected products on total U.S. imports of affected products, competing U.S. industries, and U.S. consumers. First, the method is introduced. Then the derivation of the model for estimating changes in imports, U.S. domestic production, and consumer effects is presented.

Introduction

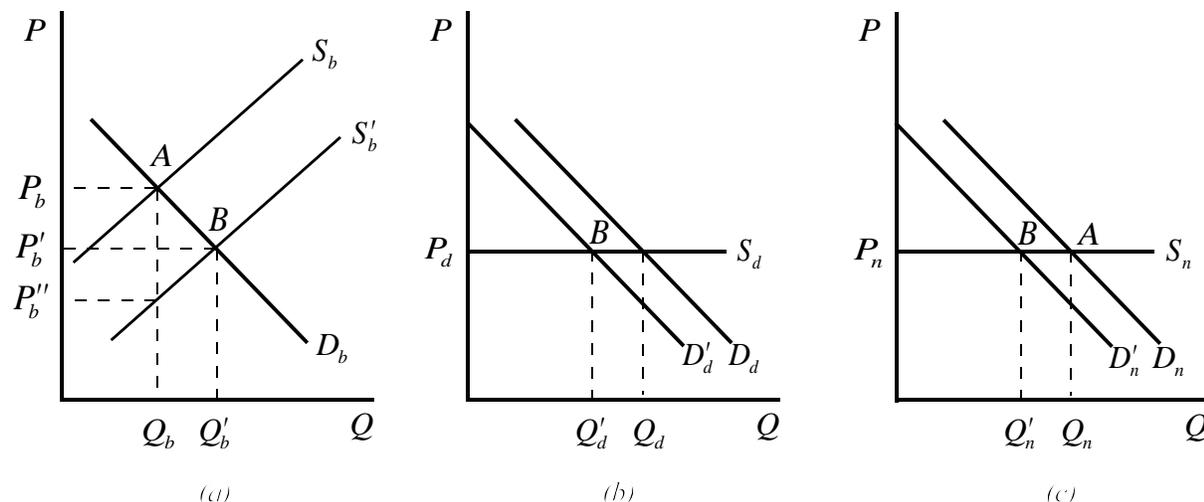
Commission staff used partial equilibrium modeling to estimate probable economic effects (PE) of immediate tariff elimination on total U.S. imports, competing U.S. industries, and U.S. consumers. The model used in this study is a nonlinear, imperfect substitutes model.¹ Trade data were taken from official statistics of the U.S. Department of Commerce. U.S. production data were estimated by USITC industry analysts. Elasticities were estimated by industry analysts based on relevant product and market characteristics. Trade and production data used were for 2004, and tariff rates used were for 2004.

The following model illustrates the case of granting a product GSP duty-free status. The illustration is for a product for which domestic production, GSP imports, and non-GSP imports are imperfect substitutes, and shows the basic results of a tariff removal on a portion of imports.

¹ For derivations, see Paul S. Armington, "A Theory of Demand for Products Distinguished by Place of Production," *IMF Staff Papers*, vol. 16 (1969), pp. 159-176, and J. Francois and K. Hall, "Partial Equilibrium Modeling," in J. Francois and K. Reinert, eds., *Applied Methods for Trade Policy Analysis, A Handbook* (Cambridge: Cambridge University Press, 1997).

Figure D-1

U.S. markets for GSP beneficiary imports (panel a), domestic production (panel b), and nonbeneficiary imports (panel c)



Consider the market for imports from GSP beneficiary countries illustrated in fig. D-1, panel (a). The line labeled D_b is the U.S. demand for imports from GSP beneficiary countries, the line labeled S_b is the supply of imports from GSP beneficiary countries with the tariff in place, and the line labeled S'_b is the supply of imports from GSP beneficiary countries without the tariff (i.e., the product is receiving duty-free treatment under GSP). Point A is the equilibrium with the tariff in place, and point B is the equilibrium without the tariff. Q_b and Q'_b are equilibrium quantities at A and B , respectively. P_b and P'_b are equilibrium prices at A and B , and P''_b is the price received by GSP-beneficiary producers when the tariff is in place. The difference between P_b and P''_b denotes the tariff, t .

In the model, a tariff reduction leads to a decrease in the price of the imported good and an increase in sales of the good in the United States. The lower price paid for the import in the United States leads to a reduction in the demand for U.S. production of the good, as well as for imports from non-GSP

countries. These demand shifts, along with supply responses to the lower demand, determine the reduction in U.S. output and non-GSP imports.

The changes that take place in panel (a) lead to the changes seen in panels (b) and (c), where the demand curves shift from D_d and D_n to D'_d and D'_n , respectively. Equilibrium quantity in the market for domestic production moves from Q_d to Q'_d , and in a similar manner for the market for nonbeneficiary imports, equilibrium quantity falls from Q_n to Q'_n .

Derivation of Import, U.S. Production, and Consumer Effects

The basic building blocks of the model are shown below. Armington shows that if consumers have well-behaved constant elasticity of substitution (CES) utility functions, demand for a good in a product grouping can be expressed as follows:

$$q_i = b_i^\sigma q \left(\frac{p_i}{p} \right)^{-\sigma} \quad (1)$$

where q_i denotes quantity demanded for good i in the U.S. market;² p_i is the price of good i in the U.S. market; σ is the elasticity of substitution for the product grouping; q is the demand for the aggregate product (that is, all goods in the product grouping); p is a price index for the aggregate product (defined below); and b_i^σ is a constant.³ As Armington states, the above equation “... can be written in a variety of useful ways.”⁴ One of these useful ways can be derived as follows. The aggregate price index p is defined as

² The product grouping consists of similar goods from different sources. For example, goods i , j , and k would indicate three similar goods from three different sources. See Armington (1969) for further discussion of the concept.

³ Armington (1969), p. 167.

⁴ Ibid., p. 168.

$$p = \left(\sum_i b_i^\sigma p_i^{1-\sigma} \right)^{\frac{1}{1-\sigma}} . \quad (2)$$

In addition the aggregate quantity index q can be defined as

$$q = k_A p^{\eta_A} \quad (3)$$

where k_A is a constant and η_A is the aggregate demand elasticity for the product grouping (natural sign).

Substituting equation (3) into equation (1) yields

$$q_i = b_i^\sigma k_A p^{\eta_A} \left(\frac{p_i}{p} \right)^{-\sigma} .$$

Further manipulation and simplification yields

$$q_i = b_i^\sigma k_A \frac{p^{(\sigma+\eta_A)}}{p_i^\sigma} ,$$

which establishes the demand for q_i in terms of prices, elasticities, and constants.

The supply of each good in the product grouping is represented in constant supply elasticity form:

$$q_i = K_{si} p_i^{\varepsilon_{si}} ,$$

where K_{si} is a constant and ε_{si} is the price elasticity of supply for good i .

Excess supply functions are set up for each good in the product grouping with the following general form:

$$K_{si} p_i^{\varepsilon_{si}} - b_i^\sigma k_A \frac{p^{\sigma+\eta_A}}{p_i^\sigma} = 0. \quad (4)$$

The model is calibrated using initial trade and production data and setting all internal prices to unity in the benchmark calibration. It can be shown that calibration yields $K_{si} = b_i^\sigma k_A$ for the i^{th} good so that

equation (4) can be rendered as

$$p_i^{\varepsilon_{si}} - \frac{p^{\sigma+\eta_A}}{p_i^\sigma} = 0 . \quad (4')$$

If there are n goods, the model consists of n equations like (4') plus an equation for the price aggregator p , which are solved simultaneously in prices by an iterative technique.

For the case of adding a product to the list of products eligible for GSP duty-free treatment, the equations are as follows:

$$\begin{aligned} [p_b(1+t)]^{\varepsilon_{sb}} - \frac{p^{\sigma+\eta_A}}{p_b^\sigma} &= 0 && \text{for imports from GSP beneficiary countries,} \\ p_n^{\varepsilon_{sn}} - \frac{p^{\sigma+\eta_A}}{p_n^\sigma} &= 0 && \text{for imports from nonbeneficiary countries,} \\ p_d^{\varepsilon_{sd}} - \frac{p^{\sigma+\eta_A}}{p_d^\sigma} &= 0 && \text{for U.S. domestic production, and} \\ p &= \left(\sum_{i=b,n,d} b_i^\sigma p_i^{1-\sigma} \right)^{\frac{1}{1-\sigma}} && \text{for the price aggregator.} \end{aligned}$$

The prices obtained in the solution to these equations are used to calculate trade and production values, and resulting percentage changes in total imports and domestic production are computed relative to the original (benchmark) import and production values.

Consumer effects

Consumer effects are estimated in terms of the portion of the duty reduction that is passed on to U.S. consumers on the basis of the import demand and supply elasticity estimates. The formula for determining the division of the duty savings between U.S. consumers and foreign exporters is approximated by $SV = \frac{\eta_{ii}}{(\eta_{ii} - \varepsilon_{si})}$, where SV is the percentage of duty savings retained by exporters

from source i , η_{ii} is the own price elasticity of demand,⁵ and ε_{si} is the price elasticity of supply from source i . An “A” code indicates that more than 75 percent of the duty savings are retained by foreign exporters $\left(\frac{\eta_{ii}}{\eta_{ii} - \varepsilon_{si}} > 0.75\right)$, and less than 25 percent passed through to U.S. consumers. A “B” code covers the range between 75 percent and 25 percent $\left(0.75 > \frac{\eta_{ii}}{\eta_{ii} - \varepsilon_{si}} > 0.25\right)$. A “C” code covers the case where less than 25 percent of the duty savings are retained by foreign exporters and more than 75 percent of the savings are passed through to U.S. consumers $\left(\frac{\eta_{ii}}{\eta_{ii} - \varepsilon_{si}} < 0.25\right)$.

The default assumption for the probable effect on consumers is a “B” code. This assumption reflects the possibility that short-run supply elasticities may be less than perfectly elastic and the world supply price may rise in the short run in the face of increased demand when U.S. duties are reduced. In the long run, unless there are extraordinary market structure circumstances, supply elasticities are likely to be perfectly elastic for any one product considered in isolation, implying that a “C” code for the consumer effects is probably more appropriate in the long run in most cases. “A” and “C” codes for consumer effects are assigned when analysts have information indicating that they are appropriate.

⁵ At any given vector of prices, such as at the benchmark equilibrium, $\eta_{ii} = S_i \eta_A - (1 - S_i) \sigma$ is the own price elasticity of demand from imports from source i , where S_i is the share of total expenditures on the product grouping spent on good i at that vector of prices. See Armington, p. 175.

APPENDIX E

U.S. Imports by HTS subheading, 2000-2004

Table 1
Watches: U.S. imports for consumption, by principal sources, 2000–2004¹

Source	2000	2001	2002	2003	2004
	<i>Quantity (units)</i>				
Japan	327,850,387	319,513,326	329,179,454	371,235,164	322,638,344
China	91,447,459	87,753,552	94,697,602	87,923,074	98,073,335
Thailand	16,480,272	21,182,743	28,511,360	33,234,375	29,601,421
Switzerland	8,227,565	6,865,094	7,827,284	7,141,581	9,546,422
Philippines	40,819,943	41,586,019	38,844,797	37,260,460	33,660,351
Hong Kong	60,731,598	32,277,665	26,102,173	26,959,853	29,624,578
Spain	264,583	314,269	168,813	6,526	140,209
Italy	81,843	70,739	128,831	98,189	108,156
Malaysia	2,791,152	1,492,967	919,569	783,292	643,723
United Arab Emirates	71,257	67,131	44,441	2,247	94,582
All other	2,210,313	3,928,996	2,393,155	1,174,527	1,322,373
Total	550,976,372	515,052,501	528,817,479	565,819,288	525,453,494
Imports from GSP-eligible countries:					
Thailand	16,480,272	21,182,743	28,511,360	33,234,375	29,601,421
Philippines	40,819,943	41,586,019	38,844,797	37,260,460	33,660,351
	<i>Value (1,000 dollars)</i>				
Japan	788,006	651,185	607,651	633,980	581,514
China	123,036	103,994	117,592	117,905	127,687
Thailand	46,787	66,619	87,914	104,802	99,785
Switzerland	75,321	60,987	69,129	71,751	94,772
Philippines	91,493	94,193	88,115	79,584	72,032
Hong Kong	81,021	38,594	34,981	31,979	59,484
Spain	2,492	2,959	2,197	29	3,607
Italy	1,191	1,078	2,423	2,108	1,851
Malaysia	8,481	4,553	2,375	1,704	1,521
United Arab Emirates	290	301	571	23	994
All other	8,157	8,651	11,089	7,334	4,747
Total	1,226,274	1,033,112	1,024,037	1,051,199	1,047,993
Imports from GSP-eligible countries:					
Thailand	46,787	66,619	87,914	104,802	99,785
Philippines	91,493	94,193	88,115	79,584	72,032
	<i>Unit Value (dollars per unit)</i>				
Japan	2.40	2.04	1.85	1.71	1.80
China	1.35	1.19	1.24	1.34	1.30
Thailand	2.84	3.14	3.08	3.15	3.37
Switzerland	9.15	8.88	8.83	10.05	9.93
Philippines	2.24	2.27	2.27	2.14	2.14
Hong Kong	1.33	1.20	1.34	1.19	2.01
Spain	9.42	9.41	13.02	4.40	25.72
Italy	14.55	15.24	18.81	21.47	17.11
Malaysia	3.04	3.05	2.58	2.18	2.36
United Arab Emirates	4.06	4.48	12.84	10.08	10.51
All other	3.69	2.20	4.63	6.24	3.59
Total	2.23	2.01	1.94	1.86	1.99
Imports from GSP-eligible countries:					
Thailand	2.84	3.14	3.08	3.15	3.37
Philippines	2.24	2.27	2.27	2.14	2.14

¹Import values are based on Customs value; export values are based on f.a.s. value, U.S. port of export.

Note.—Because of rounding, figures may not add to totals shown.
Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 2
Watches (HTS No. 9102.11.10): U.S. imports for consumption, by principal sources, 2000–2004¹

Source	2000	2001	2002	2003	2004
	Quantity (units)				
Japan	38,429,629	32,137,601	29,845,996	25,726,828	22,261,921
Philippines	10,702,921	12,913,454	11,945,606	12,340,943	10,543,591
Hong Kong	2,397,996	1,155,004	1,067,320	318,746	3,210,497
Thailand	6,026,571	6,475,404	7,037,008	5,555,828	5,079,649
China	3,781,015	2,020,967	2,930,999	4,488,029	4,861,118
Switzerland	954,597	947,014	859,861	995,398	658,900
United Arab Emirates	29,928	24,821	924	1,942	84,131
Germany	52,184	25,832	15,743	3,345	30,774
Italy	595	990	608	6,653	2,098
Ireland	5,188	0	1,872	9,852	19,451
All other	76,283	9,294	91,517	52,197	3,042
Total	62,456,907	55,710,381	53,797,454	49,499,761	46,755,172
Imports from GSP-eligible countries:					
Philippines	10,702,921	12,913,454	11,945,606	12,340,943	10,543,591
Thailand	6,026,571	6,475,404	7,037,008	5,555,828	5,079,649
	Value (1,000 dollars)				
Japan	195,546	151,379	132,062	123,133	99,395
Philippines	23,827	28,864	25,800	24,211	21,292
Hong Kong	8,876	3,676	3,464	1,561	19,125
Thailand	18,529	20,374	19,642	14,425	14,049
China	7,844	3,431	4,710	5,623	7,056
Switzerland	9,268	8,787	6,790	5,991	6,206
United Arab Emirates	140	119	14	17	87
Germany	404	274	303	27	77
Italy	24	67	90	93	75
Ireland	29	0	7	34	69
All other	911	142	2,035	1,651	89
Total	265,399	217,112	194,917	176,766	167,520
Imports from GSP-eligible countries:					
Philippines	23,827	28,864	25,800	24,211	21,292
Thailand	18,529	20,374	19,642	14,425	14,049
	Unit Value (dollars per unit)				
Japan	5.09	4.71	4.42	4.79	4.46
Philippines	2.23	2.24	2.16	1.96	2.02
Hong Kong	3.70	3.18	3.25	4.90	5.96
Thailand	3.07	3.15	2.79	2.60	2.77
China	2.07	1.70	1.61	1.25	1.45
Switzerland	9.71	9.28	7.90	6.02	9.42
United Arab Emirates	4.69	4.79	15.15	8.87	1.03
Germany	7.74	10.59	19.24	7.99	2.51
Italy	41.13	67.30	147.36	14.02	35.69
Ireland	5.65	0	3.47	3.48	3.55
All other	11.94	15.29	22.24	31.62	29.22
Total	4.25	3.90	3.62	3.57	3.58
Imports from GSP-eligible countries:					
Philippines	2.23	2.24	2.16	1.96	2.02
Thailand	3.07	3.15	2.79	2.60	2.77

¹Import values are based on Customs value; export values are based on f.a.s. value, U.S. port of export.

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

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

Table 3

Watches (9102.11.25): U.S. imports for consumption, by principal sources, 2000–2004¹

Source	2000	2001	2002	2003	2004
	<i>Quantity (units)</i>				
Japan	174,186,868	177,722,069	197,102,307	213,209,514	154,170,376
Thailand	5,553,359	9,632,879	17,079,442	17,143,512	14,292,944
China	36,965,011	42,435,947	43,058,314	34,033,602	32,198,593
Switzerland	3,345,473	2,756,095	2,825,349	2,761,993	3,773,180
Philippines	12,922,241	12,242,281	10,097,032	9,854,055	9,214,769
Hong Kong	35,751,457	17,236,766	14,007,789	11,704,357	10,715,381
Spain	187,120	229,098	135,642	6,222	26,235
Italy	21,303	17,250	61,020	41,216	25,751
United Arab Em	8,516	27,696	120	0	5,697
Indonesia	2,800	31	8,000	7,730	76,357
All other	750,048	2,708,511	918,451	268,701	431,761
Total	269,694,196	265,008,623	285,293,466	289,030,902	224,931,044
Imports from GSP-eligible countries:					
Thailand	5,553,359	9,632,879	17,079,442	17,143,512	14,292,944
Philippines	12,922,241	12,242,281	10,097,032	9,854,055	9,214,769
Indonesia	2,800	31	8,000	7,730	76,357
	<i>Value (1,000 dollars)</i>				
Japan	404,870	336,381	332,582	327,488	264,744
Thailand	16,436	32,627	56,532	56,565	50,760
China	49,872	50,832	61,171	48,323	40,364
Switzerland	29,839	23,858	27,690	25,068	33,418
Philippines	26,182	24,903	20,792	20,585	19,350
Hong Kong	45,008	20,255	15,889	13,170	18,782
Spain	2,030	2,463	1,955	14	648
Italy	385	432	880	860	571
United Arab Em	6	50	2	0	407
Indonesia	11	999,999	9	58	265
All other	2,359	3,821	4,001	1,065	983
Total	576,999	495,623	521,502	493,195	430,293
Imports from GSP-eligible countries:					
Thailand	16,436	32,627	56,532	56,565	50,760
Philippines	26,182	24,903	20,792	20,585	19,350
Indonesia	11	999,999	9	58	265
	<i>Unit Value (dollars per unit)</i>				
Japan	2.32	1.89	1.69	1.54	1.72
Thailand	2.96	3.39	3.31	3.30	3.55
China	1.35	1.20	1.42	1.42	1.25
Switzerland	8.92	8.66	9.80	9.08	8.86
Philippines	2.03	2.03	2.06	2.09	2.10
Hong Kong	1.26	1.18	1.13	1.13	1.75
Spain	10.85	10.75	14.41	2.18	24.70
Italy	18.09	25.04	14.42	20.88	22.17
United Arab Em	0.74	1.82	16.40	0	71.52
Indonesia	3.90	10.29	1.11	7.45	3.47
All other	3.14	1.41	4.36	3.96	2.28
Total	2.14	1.87	1.83	1.71	1.91
Imports from GSP-eligible countries:					
Thailand	2.96	3.39	3.31	3.30	3.55
Philippines	2.03	2.03	2.06	2.09	2.10
Indonesia	3.90	10.29	1.11	7.45	3.47

¹Import values are based on Customs value; export values are based on f.a.s. value, U.S. port of export.

Note.—Because of rounding, figures may not add to totals shown.
Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 4
Watches (HTS No. 9102.11.30): U.S. imports for consumption, by principal sources, 2000–2004¹

Source	2000	2001	2002	2003	2004
	Quantity (units)				
Japan	20,272,224	14,240,602	10,569,716	9,246,101	7,433,147
Switzerland	227,774	247,559	213,107	292,305	404,719
Philippines	6,723,946	6,901,709	6,814,284	6,073,998	4,558,885
China	2,267,039	1,271,653	1,155,723	1,267,473	1,579,228
Thailand	703,223	1,061,118	661,457	425,553	646,398
Hong Kong	1,469,506	865,646	438,775	90,342	445,908
United Arab Emirates	12,717	6,600	9,989	0	4,754
Singapore	30,580	1,319	28,789	3,480	618
Israel	0	0	0	0	492
Lebanon	0	0	0	0	249
All other	97,576	58,341	84,745	25,191	12,681
Total	31,804,585	24,654,547	19,976,585	17,424,443	15,087,079
Imports from GSP-eligible countries:					
Philippines	6,723,946	6,901,709	6,814,284	6,073,998	4,558,885
Thailand	703,223	1,061,118	661,457	425,553	646,398
	Value (1,000 dollars)				
Japan	38,220	26,330	20,115	17,800	18,995
Switzerland	2,290	5,200	6,062	8,428	9,520
Philippines	12,999	13,518	13,307	11,398	8,485
China	4,516	1,934	1,745	2,376	4,100
Thailand	1,396	2,569	1,471	944	1,652
Hong Kong	3,185	1,898	1,119	465	1,452
United Arab Em	108	53	94	0	500
Singapore	56	3	237	6	165
Israel	0	0	0	0	91
Lebanon	0	0	0	0	53
All other	380	555	993	219	45
Total	63,151	52,060	45,143	41,637	45,059
Imports from GSP-eligible countries:					
Philippines	12,999	13,518	13,307	11,398	8,485
Thailand	1,396	2,569	1,471	944	1,652
	Unit Value (dollars per unit)				
Japan	1.89	1.85	1.90	1.93	2.56
Switzerland	10.05	21.00	28.45	28.83	23.52
Philippines	1.93	1.96	1.95	1.88	1.86
China	1.99	1.52	1.51	1.87	2.60
Thailand	1.99	2.42	2.22	2.22	2.56
Hong Kong	2.17	2.19	2.55	5.14	3.26
United Arab Em	8.49	8.01	9.46	0	105.07
Singapore	1.84	2.03	8.24	1.76	267.38
Israel	0	0	0	0	185.65
Lebanon	0	0	0	0	212.08
All other	3.90	9.52	11.72	8.69	3.57
Total	1.99	2.11	2.26	2.39	2.99
Imports from GSP-eligible countries:					
Philippines	1.93	1.96	1.95	1.88	1.86
Thailand	1.99	2.42	2.22	2.22	2.56

¹Import values are based on Customs value; export values are based on f.a.s. value, U.S. port of export.

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

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

Table 5
Watches (HTS No. 9102.11.45): U.S. imports for consumption, by principal sources, 2000–2004¹

Source	2000	2001	2002	2003	2004
	Quantity (units)				
Japan	74,313,637	77,268,004	74,867,658	104,897,828	119,719,197
China	34,663,637	33,260,860	35,451,456	35,313,005	47,834,384
Switzerland	3,426,980	2,610,858	3,427,435	2,677,215	4,230,915
Thailand	3,029,170	3,119,887	2,711,079	8,923,646	8,125,931
Hong Kong	18,591,407	11,545,798	10,131,890	12,981,760	14,424,735
Philippines	8,390,256	7,454,809	7,792,916	7,430,631	7,722,470
Spain	36,205	59,754	17,115	270	112,921
Indonesia	2,900	0	26	0	127,619
Germany	62,453	26,613	37,623	75,304	20,902
Italy	56,813	48,472	60,652	37,344	17,801
All other	1,275,319	819,617	502,423	198,906	320,773
Total	143,848,777	136,214,672	135,000,273	172,535,909	202,657,648
Imports from GSP-eligible countries:					
Thailand	3,029,170	3,119,887	2,711,079	8,923,646	8,125,931
Philippines	8,390,256	7,454,809	7,792,916	7,430,631	7,722,470
Indonesia	2,900	0	26	0	127,619
	Value (1,000 dollars)				
Japan	104,086	99,256	87,465	132,289	163,058
China	38,873	31,900	32,832	40,415	52,656
Switzerland	30,354	19,791	22,976	24,557	37,659
Thailand	6,697	7,926	7,302	28,241	27,006
Hong Kong	20,141	11,201	13,541	14,921	17,478
Philippines	21,285	18,817	20,034	17,402	16,960
Spain	278	241	108	6	2,945
Indonesia	12	0	3	0	419
Germany	517	565	342	1,241	406
Italy	668	456	1,311	859	300
All other	2,832	2,363	1,470	1,089	1,064
Total	225,742	192,515	187,384	261,021	319,952
Imports from GSP-eligible countries:					
Thailand	6,697	7,926	7,302	28,241	27,006
Philippines	21,285	18,817	20,034	17,402	16,960
Indonesia	12	0	3	0	419
	Unit Value (dollars per unit)				
Japan	1.40	1.28	1.17	1.26	1.36
China	1.12	0.96	0.93	1.14	1.10
Switzerland	8.86	7.58	6.70	9.17	8.90
Thailand	2.21	2.54	2.69	3.16	3.32
Hong Kong	1.08	0.97	1.34	1.15	1.21
Philippines	2.54	2.52	2.57	2.34	2.20
Spain	7.68	4.03	6.29	21.18	26.08
Indonesia	4.22	0	99.81	0	3.28
Germany	8.27	21.25	9.09	16.47	19.41
Italy	11.76	9.40	21.61	23.01	16.83
All other	2.22	-2.88	2.93	5.47	3.32
Total	1.57	1.41	1.39	1.51	1.58
Imports from GSP-eligible countries:					
Thailand	2.21	2.54	2.69	3.16	3.32
Philippines	2.54	2.52	2.57	2.34	2.20
Indonesia	4.22	0	99.81	0	3.28

¹Import values are based on Customs value; export values are based on f.a.s. value, U.S. port of export.

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

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

Table 6
Watches (HTS No. 9102.19.20): U.S. imports for consumption, by principal sources, 2000–2004¹

Source	2000	2001	2002	2003	2004
Quantity (units)					
Japan	4,340,646	5,489,037	5,608,690	4,308,162	5,415,332
China	3,694,218	3,407,841	5,925,073	4,037,297	3,780,599
Thailand	308,150	416,322	458,531	598,035	675,037
Philippines	1,485,424	931,026	913,938	856,040	770,970
Switzerland	89,115	63,305	161,547	204,898	142,033
Hong Kong	448,904	273,391	208,514	1,057,573	237,769
Malaysia	467,800	436,788	365,679	283,160	301,850
Taiwan	0	0	0	0	106,447
Mexico	113	0	0	53,740	27,316
Bulgaria	0	0	0	258	482
All other	110,382	68,416	163,089	76,584	97,358
Total	10,944,752	11,086,126	13,805,061	11,475,747	11,555,193
Imports from GSP-eligible countries:					
Thailand	308,150	416,322	458,531	598,035	675,037
Philippines	1,485,424	931,026	913,938	856,040	770,970
Value (1,000 dollars)					
Japan	18,072	18,128	17,171	12,656	15,449
China	4,144	6,023	7,601	5,708	9,578
Thailand	1,005	1,380	1,273	3,016	2,889
Philippines	4,956	3,213	3,060	2,997	2,844
Switzerland	725	628	1,944	3,948	2,571
Hong Kong	582	356	447	746	1,361
Malaysia	1,557	1,454	955	553	614
Taiwan	0	0	0	0	253
Mexico	2	0	0	265	133
Bulgaria	0	0	0	46	86
All other	464	354	616	576	211
Total	31,508	31,535	33,067	30,513	35,990
Imports from GSP-eligible countries:					
Thailand	1,005	1,380	1,273	3,016	2,889
Philippines	4,956	3,213	3,060	2,997	2,844
Unit Value (dollars per unit)					
Japan	4.16	3.30	3.06	2.94	2.85
China	1.12	1.77	1.28	1.41	2.53
Thailand	3.26	3.31	2.78	5.04	4.28
Philippines	3.34	3.45	3.35	3.50	3.69
Switzerland	8.14	9.93	12.03	19.27	18.10
Hong Kong	1.30	1.30	2.14	0.71	5.72
Malaysia	3.33	3.33	2.61	1.95	2.04
Taiwan	0	0	0	0	2.38
Mexico	16.52	0	0	4.93	4.86
Bulgaria	0	0	0	180.12	178.03
All other	4.20	5.17	3.77	7.52	2.17
Total	2.88	2.84	2.40	2.66	3.11
Imports from GSP-eligible countries:					
Thailand	3.26	3.31	2.78	5.04	4.28
Philippines	3.34	3.45	3.35	3.50	3.69

¹Import values are based on Customs value; export values are based on f.a.s. value, U.S. port of export.

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

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

Table 7
Watches (HTS No. 9102.19.40): U.S. imports for consumption, by principal sources, 2000–2004¹

Source	2000	2001	2002	2003	2004
Quantity (units)					
China	4,404,802	2,075,177	3,009,431	4,158,456	4,758,493
Japan	2,281,271	2,007,386	2,018,644	2,383,783	3,345,149
Switzerland	41,585	93,094	154,687	101,708	81,765
Thailand	849,262	474,761	562,649	585,894	780,562
Philippines	545,837	1,027,523	1,170,770	676,525	823,323
Malaysia	1,583,812	760,142	532,250	490,324	334,781
Hong Kong	539,809	884,439	65,030	547,614	411,206
Indonesia	0	18	0	0	33,947
Germany	9,468	2,187	6,584	661	2,608
Italy	612	458	2,244	2,563	3,090
All other	450,313	425,224	535,188	350,574	7,054
Total	10,706,771	7,750,409	8,057,477	9,298,102	10,581,978
Imports from GSP-eligible countries:					
Thailand	849,262	474,761	562,649	585,894	780,562
Philippines	545,837	1,027,523	1,170,770	676,525	823,323
Indonesia	0	18	0	0	33,947
Value (1,000 dollars)					
China	7,896	2,855	3,352	8,059	9,679
Japan	4,657	3,082	3,398	3,398	6,029
Switzerland	1,973	1,817	2,360	2,731	3,514
Thailand	2,666	1,729	1,691	1,600	3,426
Philippines	2,102	4,309	4,822	2,872	3,021
Malaysia	5,547	2,466	1,356	1,107	848
Hong Kong	701	626	140	694	817
Indonesia	0	2	0	0	110
Germany	214	56	151	31	83
Italy	3	22	43	23	72
All other	1,502	1,331	1,463	956	146
Total	27,260	18,295	18,776	21,470	27,746
Imports from GSP-eligible countries:					
Thailand	2,666	1,729	1,691	1,600	3,426
Philippines	2,102	4,309	4,822	2,872	3,021
Indonesia	0	2	0	0	110
Unit Value (dollars per unit)					
China	1.79	1.38	1.11	1.94	2.03
Japan	2.04	1.54	1.68	1.43	1.80
Switzerland	47.45	19.51	15.26	26.85	42.98
Thailand	3.14	3.64	3.00	2.73	4.39
Philippines	3.85	4.19	4.12	4.24	3.67
Malaysia	3.50	3.24	2.55	2.26	2.53
Hong Kong	1.30	0.71	2.16	1.27	1.99
Indonesia	0	113.67	0	0	3.24
Germany	22.58	25.45	22.89	46.49	31.99
Italy	5.24	47.77	19.13	8.96	23.46
All other	3.33	3.13	2.73	2.73	20.68
Total	2.55	2.36	2.33	2.31	2.62
Imports from GSP-eligible countries:					
Thailand	3.14	3.64	3.00	2.73	4.39
Philippines	3.85	4.19	4.12	4.24	3.67
Indonesia	0	113.67	0	0	3.24

¹Import values are based on Customs value; export values are based on f.a.s. value, U.S. port of export.

Note.—Because of rounding, figures may not add to totals shown.
Source: Compiled from official statistics of the U.S. Department of Commerce.

Table 8
Watches (HTS No. 9102.91.40): U.S. imports for consumption, by principal sources, 2000–2004¹

Source	2000	2001	2002	2003	2004
	<i>Quantity (units)</i>				
Japan	14,026,112	10,648,627	9,166,443	11,462,948	10,293,222
China	5,671,737	3,281,107	3,166,606	4,625,212	3,060,920
Switzerland	142,041	147,169	185,298	108,064	254,910
Italy	743	873	1,023	5,545	58,993
Hong Kong	1,532,519	316,621	182,855	259,461	179,082
Philippines	49,318	115,217	110,251	28,268	26,343
United Kingdom	384	582	125	478	2,548
Singapore	25,604	30,092	31,500	47,139	5,520
Germany	319	351	298	160	1,367
India	28	49,636	0	0	200
All other	71,579	37,468	42,764	17,149	2,275
Total	21,520,384	14,627,743	12,887,163	16,554,424	13,885,380
Imports from GSP-eligible countries:					
Philippines	49,318	115,217	110,251	28,268	26,343
	<i>Value (1,000 dollars)</i>				
Japan	22,555	16,629	14,858	17,217	13,842
China	9,890	7,018	6,182	7,400	4,252
Switzerland	872	906	1,307	1,028	1,884
Italy	12	55	28	233	822
Hong Kong	2,528	583	381	422	468
Philippines	141	570	300	119	80
United Kingdom	7	7	6	16	35
Singapore	30	53	50	38	20
Germany	4	3	9	3	16
India	2	51	0	0	5
All other	174	98	127	123	10
Total	36,214	25,972	23,249	26,598	21,434
Imports from GSP-eligible countries:					
Philippines	141	570	300	119	80
	<i>Unit Value (dollars per unit)</i>				
Japan	1.61	1.56	1.62	1.50	1.34
China	1.74	2.14	1.95	1.60	1.39
Switzerland	6.14	6.16	7.05	9.51	7.39
Italy	15.76	62.85	27.70	42.04	13.93
Hong Kong	1.65	1.84	2.08	1.63	2.61
Philippines	2.86	4.94	2.72	4.19	3.04
United Kingdom	17.22	11.93	50.29	32.69	13.83
Singapore	1.19	1.75	1.58	0.80	3.58
Germany	12.42	8.32	31.33	21.54	11.81
India	75.89	1.03	0	0	24.50
All other	2.42	2.61	2.98	7.16	4.28
Total	1.68	1.78	1.80	1.61	1.54
Imports from GSP-eligible countries:					
Philippines	2.86	4.94	2.72	4.19	3.04

¹Import values are based on Customs value; export values are based on f.a.s. value, U.S. port of export.

Note.—Because of rounding, figures may not add to totals shown.
Source: Compiled from official statistics of the U.S. Department of Commerce.