

June 6, 2002

The Honorable Philip M. Crane
Chairman
Subcommittee on Trade
Committee on Ways & Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, D.C. 20515

Re: H.R. 4179 -- Technical Amendments to the Production Incentive Certificate
("PIC") Program for Insular Possession Watches and Jewelry

Dear Mr. Chairman:

I am writing to urge the Subcommittee on Trade to include H.R. 4179 in its proposed package of technical corrections to the trade laws. This important legislation, which I introduced together with Representatives Nancy Johnson and Michael McNulty, would make technical and noncontroversial changes to the Production Incentive Certificate ("PIC") program, which benefits the production of watches and jewelry in the U. S. insular possessions, particularly in the U.S. Virgin Islands.

The watch industry is the largest light manufacturing industry in the U.S. Virgin Islands. For over a quarter century, Congress and Administrations of both parties have sought to promote this vital industry in the Virgin Islands through the PIC program and other means. In 1999, Congress extended the PIC program to include insular possession fine jewelry production -- an important initiative that has led to substantial new fine jewelry production and employment in the Virgin Islands.

H.R. 4179 would make a series of technical and noncontroversial changes in the PIC program to further promote insular watch and jewelry production. The bill would improve the operation of the PIC program by assuring more prompt payment to producers, permitting producers to apply directly to the Department of the Treasury for payment, increasing producer flexibility by eliminating unit caps for jewelry while retaining overall caps and extending transition rules for new jewelry producers. The legislation would also help attract long-term investment in the insular watch and jewelry sectors by extending the PIC program until 2015.

The Honorable Philip M. Crane
June 6, 2002
Page 2

The bill also contains two "standby" mechanisms to preserve the insular watch industry in the event that watch duties are eliminated or reduced on a worldwide basis. One mechanism would preserve the value of current duty-free treatment for insular watches by increasing the PIC benefit in an amount corresponding to the loss of any comparative duty advantage for insular watches as a result of multi-lateral tariff reduction negotiations. The other mechanism would allow the use of jewelry and other duties as a source of PIC payments. These standby mechanisms -- which are contingent on future action by Congress and the Administration -- are the result of an understanding reached among a wide range of U.S. watch industry interests, including the Virgin Islands watch industry, U.S. importers of foreign-made watches and the American Watch Association. It is not anticipated that these provisions will have any revenue impact under the Congressional Budget Act.

Inclusion of H.R. 4179 in the Trade Subcommittee's technical corrections and miscellaneous tariff package would be consistent with the criteria established by the Subcommittee. This important bill is widely supported and noncontroversial, would improve the administration of the PIC program and, overall, would have little, if any, revenue impact. By helping to assure that the continued vitality of the watch and jewelry industries in the Virgin Islands, H.R. 4179 would also be consistent with longstanding Federal policies to support employment and economic development in the Virgin Islands and other insular possessions.

Please let me or Brian Modeste of my office know if you or your staff require any additional information regarding H.R. 4179 and the PIC program generally. Thank you for your consideration of this important legislation.

Sincerely,

Donna M. Christensen
Member of Congress