



American Watch Association • P.O. Box 464 • Washington, DC 20044 • (434) 963-7773 • Fax: (434) 963-7776

June 21, 2012

The Honorable Dave Camp
Chairman
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

Re: Miscellaneous Tariff Bill -- Opposition to H.R. 5750

Dear Mr. Chairman:

The American Watch Association (“AWA”) is comprised of more than fifty companies organized and doing business within the United States that are engaged in the importation, manufacture, and assembly of watches, watch movements, and watch products listed under Chapter 91 of the Harmonized Tariff Schedule of the United States (“HTSUS”). And indeed, the AWA’s members constitute the great majority of leading watch brands in the United States. (See attach listing of AWA member companies and brands.)

The AWA submits these comments in opposition to H.R. 5750, a bill that would modify the tariff on certain watches. The AWA opposes passage of H.R. 5750 for two principal reasons: (1) the bill seeks to address a compliance issue by means of a change in tariff format/rates, and (2) the proposed change will result in often-dramatic increases in duty rates for many watch importers.

The system of tariffs contained in Chapter 91 of the HTSUS has been in effect for many decades and the watch industry has evolved around it, much as fish accommodate themselves about a coral reef. Change the tariff system and you will affect the competitive structure of the watch industry.

The tariffs in Heading 9102 are comprised of a mixture of specific duties and *ad valorem* rates. Specific duties apply to the watch movement, while separate *ad valorem* duties apply to the watch case, watch band and battery (where present). Although it has not been a problem for AWA member companies, it appears that U.S. Customs officials have, on occasion, questioned the apportionment of entry value of watch components among the different duty components of the HTSUS. This problem is one of compliance and enforcement; it is not one that requires a

change in import duty levels, especially a change that results in higher import duties for some companies and lower duties for others.

The U.S. International Trade Commission (“ITC”), more than a decade ago, sought to simplify the watch tariff system in Chapter 91 and, among several issues, compress the mixture of existing tariff rates into a single *ad valorem* equivalent or at most a two-part rate. The ITC discovered the same problem that confronts H.R. 5750: compression results in a change in duties for most importers - - windfalls for some and damaging increases for others. In its June 2000 report - - *Simplification of the Harmonized Tariff Schedule of the United States*, Publication 3318, Investigation No. 332-388 - - the ITC retained the existing multi-part tariff for watches.

H.R. 5750 purports to be a narrowly focused attempt to solve a valuation-allocation problem for quartz analog watches valued not over \$300. In reality, the bill targets a broad spectrum of watches whose retail prices range from under \$25 to over \$1,000. As the ITC recognized, there is no practical way to impose a new system of specific and *ad valorem* duties on this panoply of watches without altering the rates they must pay.

AWA member companies have tested the proposed tariff rates in H.R. 5750 on their own product lines and have found that the bill would injure them by increasing rates much more often than decreasing them. Rarely did the proposed changes result in no change at all. Predictably, rate increases were greatest for more expensive watches. But the results varied not only among AWA companies, but also, within individual product lines.

The bottom line: H.R. 5750 would hurt AWA member companies. The injury is unnecessary in order to address an issue that is regulatory in nature. Moreover, the injury, where concentrated among exports from particular countries, might raise questions of U.S. adherence to its treaty obligations.

The American Watch Association welcomes the opportunity to seek a broader and appropriate solution to the issues H.R. 5750 seeks to address. However, H.R. 5750 is not the answer and, indeed, is a problem in itself. Congress should reject H.R. 5750.

Respectfully submitted,



Emilio G. Collado
Executive Director
American Watch Association

Attachment

AWA Member Companies and Brands

A. Lange & Söhne	Emporio Armani	Movado
Abacus	Endura	MW
Accutron	ESQ by Movado	Oceanus
Adidas	European Company Watch	Officine Panerai
Alba	Flik Flak	Omega
Armani	Fossil	Patek Philippe
Audemars Piguet	Frank Lloyd Wright	Pathfinder
Baby-G	Franck Muller	Paul Picot
Backes & Strauss	Geneve	Philippe Charriol
Balmain	G-Shock	Piaget
Barthelay	Gerald Genta	Pierre Balmain
Baume & Mercier	Girard-Perregaux	Pierre Kunz
Belair	Glashütte Original	Pierre Michael Golay
Bell & Ross	Grand Seiko	Pulsar
Blancpain	G-Shock	Q&Q
Boegli	Gucci	Rado
Boucheron	Hamilton	Ralph Lauren Watch & Jewelry
Breguet	Harley Davidson	Red Line
Breitling	Hirsch	Relic
Bulova	Hublot	Rocket
Burberry	Hugo Boss	Rodolphe
ck/Calvin Klein	IBI Armored	Rolex
Campanola	IWC International	Roger Dubuis
Caravelle	Jacquet Droz	Seiko
Cartier	Jaeger LeCoultre	Selco
Casio	Jean Marcel	Smalto Timepieces
Certina	Jean Richard	Swatch
Chopard	Kaiser Time	TFX
Christian Dior	Lacoste	Tiffany & Co.
Citizen	Léon Hatot	Timberland
Coach	Longines	Tissot
Colossa	Lorus	Tommy Hilfiger
Columbial	Louis Renard	Town & Country
Concord	Juicy Couture	Tudor
Corum	Marc Anton	Underwood
Credor	Marc Jacobs	Union Glashütte
Daniel Jean Richard	Martin Braun	Vacheron Constantin
Daniel Roth	MDM	Van Cleef & Arpels
DeWitt	Michael Kors	Wittnauer
Diesel	Michele	Yves Saint Laurent
DKNY	Mido	Zodiac
Dunhill	Mobilewear	
Ebel	Montblanc	