



Confindustria Federorafi

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Gold Jewellery – Silverware and Jewellery Sectors Reciprocity between USA and EU customs regulations as regards Outward Processing Trade

No trade reciprocity

With particular reference to the United States market, the most important jewellery market worldwide, the European gold jewellery sector operates in a less competitive manner as European products are penalized in terms of customs duties compared to items produced by other manufacturing countries and compared to the tariffs applied by the EC on United States products.

UE has experienced difficulties in accessing the US market because custom duties are applied not only on the value added on the processed product, but also on the value of the raw material. This does not constitute a barrier for accessing the market, but rather the impact produced by the American legislation, which regulates outward processing trade in a different manner to the European legislation, hindering the use of the USA outward processing trade scheme for the working of precious metals (gold, silver, platinum ...) in third countries.

As it is customary for the sector's jewellery manufacturers to import raw materials from United States clients and to re-export finished jewellery items, if these operators were to adopt outward processing trade operations, this could reduce the impact of the higher customs duties, thus avoiding – as occurs at present – the customs duties being calculated not only on the value added part of the processing, but also on the raw material, which clearly constitutes the prevailing part of the product value (accounting for about 90%).

However, despite the fact that the current EC customs regulations can be considered as the basis for developing this kind of operation, an outward processing trade regime, which could be applied in general terms, is missing in the United States regulations, thus excluding gold jewellery operators from the potential benefit of the same. *

Besides the alternative solutions suggested to solve the problem of more equitable competition within sector, that is an overall reduction in United States customs duties or defining a sectorial free trade agreement within the WTO framework, we propose evaluating the possibility of supporting, within the existing structures designated to conduct EU-USA bilateral negotiations, a proposal for harmonizing the United States and European Community customs regulations, with the aim of attaining reciprocity, which would foster the above-mentioned outward processing trade operations.

* i.e.: Part 10 (Articles conditionally free, subject to a reduced rate) of the Chapter 19 (Custom Duties) of the US Code of Federal Regulations. **Art. 10.9 (Articles exported for processing):**

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“(a) Except as otherwise provided for in this section, the following documents shall be filed in connection with the entry of articles which are returned after having been exported for further processing and which are claimed to be subject to duty only on the value of the processing performed abroad under subheading 9802.00.60, Harmonized Tariff Schedule of the United States (HTSUS)”.

9802.00.60 of the HTSUS subchapter II (Articles exported and returned, advanced or improved abroad), it says that *“Any article of metal (as defined in U.S. note 3(e) of this subchapter) manufactured in the United States or subjected to a process of manufacture in the United States, if exported for further processing, and if the exported article as processed outside the United States, or the article which results from the processing outside the United States, is returned to the United States for further processing”* where metal is defined as: *“(e) For purposes of subheading 9802.00.60, the term "metal" covers (1) the base metals enumerated in note 3 to section XV; (2) arsenic, barium, boron, calcium, mercury, selenium, silicon, strontium, tellurium, thorium, uranium and the rare-earth elements; and (3) alloys of any of the foregoing”.*

The metals included in the note 3 of section XV are: iron and steel, copper, nickel, aluminium, lead, zinc, tin, tungsten (wolfram), molybdenum, tantalum, magnesium, cobalt, bismuth, cadmium, titanium, zirconium, antimony, manganese, beryllium, chromium, germanium, vanadium, gallium, hafnium, indium, niobium (columbium), rhenium and thallium.

(Gold, silver and other precious metals do not seem to be contemplated).
