Oriental Rug Importers Association, Inc.
THE NATIONAL ASSOCIATION OF IMPORTERS AND WHOLESALERS

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September 5, 2006

GSP Subcommittee of the
Trade Policy Staff Committee
Office of the U.S. Trade Representative
1724 F Street, N.W., Room F-200
Washington, D.C. 20508

Re: Written Comments in Response to the GSP Review on Eligibility of Certain GSP Beneficiaries, 71 Fed. Reg. 45079 (August 8, 2006)

Dear Members of the Subcommittee:

The Oriental Rug Importers Association (ORIA), a national trade association formed in 1958 to foster ethical business practices and promote the best interests of the Oriental Rug Trade in the United States and in countries that produce Oriental rugs, writes in strong support of continuation of benefits for India and Turkey under the U.S. Generalized System of Preferences.

Graduation of India from this important development program is clearly not warranted at this time, and would be detrimental to the interests of both the weavers in India and the member companies of ORIA. Moreover, ORIA questions the value of graduating Turkey from GSP, an action that would harm ORIA members and is unnecessary and premature in light of Turkey's negotiation toward accession to the European Union. Upon completion of that accession process, ORIA members recognize that GSP will no longer be available, but the delay in that process signals, among other things, that Turkey is not yet sufficiently economically developed.

ORIA's membership consists of over 80 leading U.S- based importers of hand made carpets, whose products sell at retail in all of the 50 states. ORIA member firms import from virtually every carpet sourcing country including India, Pakistan, China, Nepal, Tibet, Turkey, and Romania.

Operating on very slim margins, and facing a slowing economy, particularly with respect to home sales that are declining and portend a decline in consumer purchases of home furnishings like hand made carpets, the elimination of duty-free treatment for carpets produced in India and Turkey is a matter of grave and significant concern for ORIA member companies. ORIA member companies have already been growing increasingly alarmed about the possibility of a temporary lapse in the GSP program, which would compel them to tender duties on their imports of Indian, Pakistani, Turkish and Romanian carpets. The prospect that their most significant sources of supply, India and Turkey, might lose benefits altogether is especially worrisome, shrinking further the already very slim profit margins on which they operate.

The hand made rugs at issue are labor intensive products that are not produced in the United States, yet are quite expensive and constitute an important source of employment of people in some of the poorest and most rural areas of India. The carpets at issue carry duty rates in the range of 3.8 percent to 6.8 percent ad valorem, a relatively high rate when one considers the entered value of these items. For example, duties paid by an importer for a container-load of Chinese origin hand tufted rugs, classified under Harmonized Tariff Schedule subheading 5703.20.1000, are typically in the range of $6,000 to $7,000. Maintaining duty-free access for imports of these products under GSP will have no negative impact upon any U.S. industry but does provide increased opportunities for more affordable hand made rugs in the United States and incentives for producing these hand made rugs in India and Turkey.

The designs and color schemes for the carpets imported from India and Turkey by ORIA members are actually created in the United States. India in particular simply has not achieved the level of development that would enable craftsmen there to expand into the more service oriented aspects of the business. Indeed, the areas in which these carpets are woven represent the most poverty stricken regions of that vast country. As the Congressional Research Service has noted, in its most recent report on India-U.S. Relations (RL33529, July 31, 2006), at 15:

> India's per capita GDP is still less than $800 ($3,825 when accounting for purchasing power parity). The highly-touted information technology and business processing industries only employ about one-third of one percent of India's work force and, while optimists tout an Indian "middle class" of some 300 million people, an even greater number of Indians subsist on less than $1 per day.

Further, the CRS notes, "India has more people living in abject poverty (some 385 million) than do Latin America and Africa combined." CRS at 21. Under these circumstances, clearly India cannot be seen as having "progressed in [its] economic development within the meaning of the statute to the extent that [its] eligibility should be limited, suspended, or withdrawn."

Importantly, the GSP program also includes important incentives to promote protection of workers' rights, including compliance with standards regarding a minimum age for the employment of children and a prohibition on the use of the worst forms of child labor. That leverage would be seriously compromised if India is removed from the GSP program.

ORIA views the availability of GSP benefits for these carpets as ensuring opportunities for appropriate employment in India, and for increased education possibilities for children. The reality in India is that few families in the carpet-producing regions have schools available to them or could afford schools. The achievement of a literate population throughout the country (as opposed to pockets of that vast country) clearly is key to India being considered to have achieved a level of development that would truly justify consideration of its graduation from the U.S. GSP program.

Because of the prevalence of family child labor in the carpet industry, child labor has been an issue with which ORIA members have had considerable experience and a strong determination to effectively address. Recognizing that children are employed in these areas tosupplement their families' incomes (as well as to learn a craft), ORIA members strive to avoid illegal child labor and to assist these families. ORIA members do so by supporting local schools and subsistence programs providing food and health care to families in carpet producing regions so that these families can afford to send their children to school. Were India to lose its GSP status, however, ORIA members would import fewer carpets from India and would therefore also reduce their involvement in these important programs.

Only a little more than a year ago, ORIA wrote to the subcommittee to express its strong support for the issuance of competitive need limitation waivers for several carpet products, and as a consequence, GSP benefits were maintained. As they committed to do at that time, ORIA members have expanded their sourcing of these hand made carpets now that they are duty-free.

For all of these reasons, ORIA respectfully urges the Subcommittee to maintain the GSP status of India and Turkey. Should the Commission need additional information, please contact ORIA's Executive Director, Lucille Laufer.

Sincerely,

Andrew Peykar
President

Supports India, Indonesia,
Philippines, Romania,
South Africa, & Thailand
Costume jewelry

From: fjta@aol.com
Sent: Friday, September 01, 2006 10:43 AM
To: FN-USTR-FR0052
Subject: Request for public comments

Office of the United States Trade Representative:

We are attaching our answer to your request for public comments regarding certain GSP beneficiaries of waivers.

Thank you for your attention.

Michael Gale
Executive Director
Fashion Jewelry Trade Association
FJTA@aol.com

August 17, 2006

Office of the United States Trade Representative
USTR Annex Room F-220
1724 F. St.
Washington, DC 20508

Re: GSP Initiation of Reviews and request for Public Comments

Dear Sir or Madam:

On behalf of its members, the Fashion Jewelry Trade Association ("FJTA") appreciates the opportunity to provide background information from our industry and.our answer to your request for comments
The FJTA is a trade association of manufacturers and importers of fashion jewelry, also known as costume jewelry.

There are many components used in the manufacturing of fashion jewelry that are not available in the United States. These materials come from India, Indonesia, Philippines, Romania, South Africa and Thailand. In addition members of the fashion jewelry industry import finished jewelry products from these countries.

We understand that changes in the GSP status of these countries is being considered.
If waivers for these countries are eliminated the cost of materials and products from these countries would rise to a substantial extent. This would require the United States firms that manufacture and sell fashion jewelry to raise their prices.

Such price increases could adversely affect the sales of fashion jewelry for our members and the retailers they supply. This action could precipitate a loss of business and therefore a loss of tax revenue to our government. There could also be a loss of jobs in the United States. This would also result in a loss of tax revenue to state and the federal government. In addition there could be an increase in unemployment benefits and public assistance expense.

We appreciate your office's consideration of this information. If you have any questions, I can be reached at 401-295-4564 or fjta@aol.com.

Very truly yours,

Michael Gale
Executive Director

Sunstone Fine Sterling Silver Jewelry Inc. roman Jezlaine Ltd.

September 1, 2006

Office of the United States Trade Representative
USTR Annex Room F-220
1724 F. St.
Washington, DC 20508

Re: GSP Initiation of Reviews and request for Public Comments

Dear Sir or Madam:

On behalf of Sunstone, Inc. and Roman Company, I appreciate the opportunity to provide background information from two jewelry industries and the impact of the GSP renewal on our companies.

Sunstone is a sterling silver jewelry wholesaler and Roman Company is a fashion jewelry wholesaler. Both companies have been in business for over 30 years and are proud to be mid-range companies that employ 350 employees in the Chicago and St. Louis areas.

Both the sterling and fashion jewelry industries have been faced with significant impacts over this past year in relation to incremental costs and expenses. First, the recent escalation of the price of silver to the highest levels in the past 20 years has resulted in the requirement of raising retail prices for U.S. consumers. This has already adversely affected the sales of sterling jewelry in 2006. Second, the recent settlement in California of Proposition 65 for fashion jewelry, is requiring the fashion jewelry industry to adhere to lead free standards. Currently there are at least four additional states and two cities that have bills in legislation regarding lead free fashion jewelry. Although, the fashion jewelry manufacturers and wholesalers agree with the position of protecting our children from potential lead poisoning, it is at least a 25% increase in manufacturing costs for our industry. This, similar to the price of sterling, will result in the raising of retail prices for the U.S. consumer and potentially impact the sale of fashion jewelry.

All U.S. sterling and fashion jewelry companies have been faced with these incremental cost burdens during 2006. Many companies will have a difficult time absorbing or offsetting these expenses and could result in those companies being forced to make staff reductions or potentially go out of business.

There are many components used in the manufacturing of jewelry that are not available in the United States. These materials come from India, Philippines, Romania, and Thailand. In addition members of the sterling and fashion jewelry industry import finished jewelry products from these countries.   Sunstone and Roman combined, import approximately 70% of our jewelry from the countries listed above, representing several thousand unique items. Although sourcing this product from other countries is a possibility, it will be a severe hardship to achieve in cost and time. In some cases, the materials needed and the artisan labor for sterling silver manufacturing is not currently developed in other countries, thus limiting the availability for alternate sourcing.

I understand that changes in the GSP status of these countries are being considered.
If waivers for these countries are eliminated the cost of materials and products from these countries would rise to a substantial extent. This would require the United States firms that manufacture and sell fashion jewelry to raise their prices.

Such price increases could adversely affect the sales of fashion jewelry for the wholesalers and the retailers they supply. This action could precipitate a loss of business and therefore a loss of tax revenue to our government. There could also be a loss of jobs in the United States. This would also result in a loss of tax revenue to state and the federal government. In addition there could be an increase in unemployment benefits and public assistance expense.

I appreciate your office's consideration of this information.   Both Sunstone and Roman Company If you would like any additional information, please feel free to contact me at 314-963-3604.

Respectfully,

Dee A. Marino
President
Sunstone, Inc. and Roman Company

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