



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

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GENERAL GOVERNMENT
DIVISION

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NOVEMBER 25, 1980

B-201261

RELEASED

The Honorable Claiborne Pell
United States Senate



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Dear Senator Pell:

Subject: [Customs' Reclassification of Certain Imports Eligible for Duty Free Treatment] (GGD-81-23)

The Customs Service correctly reclassified, under the Tariff Schedules of the United States, certain gold jewelry imported from Israel during 1979. As a result, Israel retained its Generalized System of Preferences (GSP) eligibility to ship, duty free, a certain amount of jewelry into the United States in 1980.

As requested by you on August 20, 1980, we reviewed the Customs Service reclassification to "chain of precious metal" jewelry from Israel originally classified as "jewelry and other objects of personal adornment." Our conclusion that the change in classification was proper is based on discussions with Customs import specialists, visits with the major importer and his broker, and an examination of import entry documents. However, a physical examination of the imports was not possible as the merchandise had been entered into the commerce of the United States.

Under GSP conditions, a country is entitled to ship, duty free, certain items into the United States up to a dollar amount established annually. Shipments in excess of the dollar limitations could result in the loss of GSP eligibility for the following year. For 1979, the limit for jewelry from Israel was \$41.9 million.

As discussed with your staff on October 9, 1980, the official trade statistics published by the Census Bureau from data supplied by the Customs Service showed that in 1979, the

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value of GSP shipments from Israel classified as jewelry and other objects of personal adornment was \$42.4 million--\$500,000 above the GSP limitation. Thus, Israel appeared to have lost its eligibility to export this item duty free during the following year.

The 1979 trade statistics for personal jewelry were, however, overstated. In September 1979, Customs had reclassified from personal jewelry to chain of precious metal 24 entries valued at about \$1 million. For some unknown reason the reclassifications were not received by the Census Bureau until March 1980. The corrected 1979 import figure was \$41.4 million for personal jewelry imports. Thus, Israel retained its GSP eligibility for 1980.

Reclassification was necessary because Customs import specialists accepted without reasonable verification efforts, import classifications submitted by importers and/or their brokers. From January through August 1979, 24 GSP entries from Israel valued at \$1,036,660 were classified as personal jewelry instead of chain of precious metal. Customs officials said the entries probably received no meaningful review because of the large workload and because the merchandise in question was duty free GSP imports. The broker who misclassified the majority of the entries said he simply made a mistake.

Reclassification efforts were initiated after a broker, unconnected with the entries in question, noted to Customs officials that items appearing to be classifiable as chain of precious metal were, at times, classified as personal jewelry. Customs reviewed all entries which had been classified as personal jewelry and found 24 entries which needed to be reclassified as chain of precious metal.

We examined 18 of the 24 entries and concur with Customs' reclassification. Although the classification documents listed the imports as personal jewelry; the accompanying sales invoices, certificates of origin, and the carriers' certificates nearly always listed the tariff schedule classification number for chains of precious metal and described the merchandise as gold chains. Additionally, the quantity or weight of the merchandise was generally listed in pounds, kilograms, or meters, which indicated that the items were probably large spools of gold chain and not individual pieces of jewelry or

other objects of personal adornment. Also, a tour of the major importer's plant showed him to be a manufacturer of gold jewelry and thus more likely to be importing gold chain than pieces of personal jewelry.

Although circumstances precluded a physical verification of what was actually imported, we believe that the supporting documentation filed with the entries and our discussions with the involved parties support Customs' decision to reclassify the merchandise as chain of precious metal.

Your office requested that we not obtain written comments from the Customs Service. We have, however, discussed this letter with Customs officials who generally concur with its contents. Unrestricted distribution of this report will be made 30 days after the date of the report or at the time of public release of the report's contents by your office.

Sincerely yours,



William J. Anderson
Director