

significant as to create an entirely new article. I am informed that, in applying this concept to imported watches, the Customs Service has followed international practice and has determined that the production of a watch movement results in a substantial transformation and thereby determines the country of origin of the finished watch. Additionally, under the "tariff shift" origin rules adopted under NAFTA, the country of origin of the watch is the country where the movement was produced.

In evaluating product labels or advertising that state a foreign country of origin for watches and other imported products, the Federal Trade Commission has generally permitted foreign claims that are based on substantial transformation. For example, based on the FTCs practice under section 5 of the Federal Trade Commission Act, a watch whose movement was produced in a foreign country from parts sourced worldwide could be labeled and/or advertised as made in that foreign country.

The Federal Trade Commission applies a different and much more strict origin test to watches produced in the United States and the U.S. territories. Under this test, a watch whose movement is produced in the United States or the U.S. territories cannot be labeled or advertised as "Made in the USA" unless all or virtually all of the parts and labor employed in producing the movement and finished watch are of domestic origin. Thus, the FTC applies substantially different tests for determining the foreign and domestic origin of watches. These tests lead to different results in situations in which the only difference between two watches is the country where the movement was assembled.

The FTC's current origin tests for watches discriminate against domestic producers, including those in the U.S. Virgin Islands. Given the globalization of the international watch components industry, it is virtually impossible, as a practical matter, for a domestic producer to source all of its watch components from U.S. sources. Thus, watches produced in the United States from U.S. assembled movements cannot be marked "Made in the USA" even though their production involves highly labor intensive operations which add considerable value to the watch. In contrast, under the FTC's current test, a watch made from a movement assembled in Japan from imported parts could be labeled as "Made in Japan." These conflicting tests put U.S. producers at a considerable disadvantage in the marketplace and are confusing to U.S. consumers.

My legislation would correct this unfair and confusing situation by requiring that the FTC apply the same substantial transformation test for determining the origin of all watches, including those watches that are labeled or advertised as "Made in the USA." This common test will assure that origin rules for domestic watches conform with well-established international and Customs Service practice and the FTC's own practice for imported watches. It will enable U.S. producers, including those in the Virgin Islands, to employ country of origin labels or claims in the same circumstances in which their foreign competitors could label or advertise that their watches are made in a foreign country. Finally, the legislation would provide U.S. consumers with a clear and consistent test for determining where watches are made.

## FAIRNESS TO LOCAL CONTRACTORS ACT

**HON. PATSY T. MINK**

OF HAWAII

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, February 13, 2001*

Mrs. MINK of Hawaii. Mr. Speaker, today I am introducing the Fairness to Local Contractors Act to help local contractors compete for military construction projects. The purpose of the bill is to address concerns raised by various unions, contractors, and the State of Hawaii, that local companies are not getting a fair shot at competing for military construction contracts.

The ability of out-of-state contractors to ignore state tax and employment laws have allowed them to avoid costs that local companies have to meet and thereby outbid our local companies.

The problem of out of state contractors dodging state tax and employment laws was documented at the Congressional hearing I held on August 5, 1995, in Hawaii. The bill incorporates many of the suggestions and proposals made at this hearing on ways to make the bidding process more equitable for local companies.

The bill requires contractors to obtain a state tax clearance in order to be an eligible bidder on military construction projects; it requires them to obtain a state tax clearance and certify compliance with state employment laws in order to receive the final project payment; allows a military agency to withhold payment in order to meet state tax obligations; and it requires a contractor that has won a bid to obtain a state license in the state in which the work is to be performed, if that state requires such a license.

Military construction work is an important part of Hawaii's economy. Not only will Hawaii's local companies benefit from this legislation, but all local companies across the nation will have a fair chance to compete for these projects that are worth millions of dollars.

By joining me in supporting the Fairness to Local Contractors Act we can provide the enforcement needed to make sure all bidders play by the same rules. I urge my colleagues to cosponsor and support this legislation.

## TRIBUTE TO LOUIS WELDON HAMMOND

**HON. JAMES E. CLYBURN**

OF SOUTH CAROLINA

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, February 13, 2001*

Mr. CLYBURN. Mr. Speaker, I rise today to pay tribute to Attorney Louis Weldon Hammond who, for over 37 years, tirelessly served our veterans and was a trailblazer in his field.

Attorney Hanimond was born in Ridge Spring, SC on January 5, 1939. He attended Morehouse College and obtained his bachelor and law degrees from South Carolina State College. For more than 35 years, he has been married to the former Loretta Thomas. They have two children, Kartika Loretta Hammond and Louis Weldon Hammond II.

After graduating law school as the top Administrative Law student, the Veterans Admin-

istration Regional Office in Columbia, South Carolina, recognized his talent and hired Mr. Hammond. His success on the job cast him into the role of trailblazer. Mr. Hammond was the first African American to hold each position as he rose through the ranks. The positions he held included Legal Claims Examiner, Veterans Claims Rating Board, Veterans Claims Examiner Authorizer, Section Chief, Assistant Adjudication Officer and Veterans Service Center Manager. He also served as an Equal Employment Opportunity Counselor and National Equal Employment Investigator.

His career successes led to his appointment to a number of positions of distinction including Chairman of National Adjudication Officer's Advisory Committee, Southern Area Adjudication Officers Advisory Committee, and the V.A.'s top Leadership award. Mr. Hammond's distinguished career also led him to receive the award of first runner-up for Federal Employee of the Year for 1977.

Perhaps his dedicated service to the Veterans Administration stemmed from his distinction as a veteran himself. He rose to the rank of SGT E-6 (Staff Sergeant) and received numerous honors including; Good Conduct Medal, Army Expeditionary Medal, Army Commendation Letter, Outstanding Soldier of Encampment, Outstanding Soldier of Reserve Unit, Court Martial Coordinator—Santo Domingo, Dominican Republic.

Outside his legal and military career, Mr. Hammond was, and continues to be, very active in his community. Mr. Hammond founded a neighborhood organization called New Castle Concerned Citizens, and serves as a poll manager in his Midway precinct. He has also participated in a number of other organizations. He served on the Board of Directors at Providence Home and the Advisory Board of Richland Northeast High School and as former Chairman and Treasurer of the Kitani Foundation, Past President of the South Carolina State College's Columbia Alumni Association, and past president of the Dent Middle School PTO.

Mr. Hammond is a Life Member of the NAACP and Kappa Alpha Psi Fraternity. He is a member of First Calvary Baptist Church, where he has served as Deacon, Chairman of a \$2.5 million building project, as the Minister's Administrative Assistant, and is a member of two choirs. His dedication to South Carolina veterans and to the community was recognized on December 19, 2000 when Governor Jim Hodges awarded Mr. Hammond the Silver Crescent.

Mr. Speaker, we seldom meet people who give so tirelessly of their time and efforts as Louis Weldon Hammond, Sr. Please join me in paying tribute to this wonderful South Carolinian, a personal friend, and a trailblazer who earned the reputation of being a dedicated, just, equitable, fair and caring professional during his long and distinguished career.

## UKRAINE'S CONTINUED INDEPENDENCE

**HON. DENNIS J. KUCINICH**

OF OHIO

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, February 13, 2001*

Mr. KUCINICH. Mr. Speaker, today I voice support for Ukraine's continued independence

and its efforts at cultivating a strong relationship with the West.

Mr. Speaker, Ukraine declared its independence from the Soviet Union in 1991, and since then has embarked on a long march towards democracy. Along the way, it has gradually oriented itself towards the West and embraced Western institutions. Ukraine was the first post-Soviet state to join NATO's Partnership for Peace program. It has since become party to a NATO-Ukraine Commission, which meets at various times throughout the year, and is a member of the Council of Europe. Ukraine has stated that its strategic goal is integration into Western political and security structures, including, potentially, NATO itself.

Mr. Speaker, I would also like to express support for Ukraine's Prime Minister, Viktor Yushchenko, and his wife Katherine, who is American. Prime Minister Yushchenko has worked tirelessly to end corruption and carry out democratic reforms in Ukraine, recently under turmoil because of the undemocratic actions of others in power. His continued leadership will be critical to the success of this progressing nation.

INTRODUCTION OF LEGISLATION  
ON REVISIONS TO THE PIC PROGRAM

**HON. DONNA M. CHRISTENSEN**

OF VIRGIN ISLANDS

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, February 13, 2001*

Mrs. CHRISTENSEN. Mr. Speaker, today I introduce a bill which would make a series of technical and/or noncontroversial adjustments to the Production Incentive Certificate ("PIC") program for watch and jewelry produced in the U.S. insular possessions. In the near term, this legislation would improve the operation of the PIC program for both watch and jewelry manufacturers in the U.S. Virgin Islands—producers that provide a critical source of employment for the Territory. Over the longer term, this legislation would protect the PIC program and related duty incentives from the effects of any future reduction or elimination of watch tariffs.

The watch industry is the largest light manufacturing industry in the USVI and remains one of the most important direct and indirect sources of private sector employment in the Territory. The insular watch production industry is also highly import-sensitive and faces continued threats from multinational watch producers, who have continued to move their watch production to lower wage countries.

Congress and successive Administrations have recognized the importance of the watch industry to the USVI—and the import sensitivity of watches—through a series of significant enactments and decisions. The General Note 3(a) program, which Congress has incorporated in the Harmonized Tariff Schedule, grants duty-free treatment for qualifying insular possession watches and thereby provides a relative duty advantage vis-à-vis foreign watch producers. Through the PIC program, insular possession watch producers can obtain duty refunds based on creditable wages paid for watch production in the insular possessions. Additionally, in recognition of the relative advantage that duty-free treatment of watches provides to insular possession watch pro-

ducers, Congress and successive Administrations have resisted efforts to eliminate watch duties on a worldwide basis.

In 1999, Congress extended the General Note 3(a) program and PIC program benefits to jewelry produced in the insular possessions. In doing so, Congress sought to promote vital employment in the insular possessions by extending existing watch industry incentives to jewelry production—an industry which utilizes many of the same skills and facilities as watch production. Since enactment of this important change, four mainland jewelry manufacturing companies have established operations in the USVI and are participating in the PIC program.

Watch and jewelry producers in the Virgin Islands have consulted with the American Watch Association and U.S. watch firms that import substantial quantities of foreign made watches regarding proposals to preserve and protect benefits for insular possession watches and jewelry, while also mitigating the impact of any future reduction of duties on imported watches. These discussions have resulted in the parties' unified support for the legislation that I am introducing today.

The various technical adjustments set forth in this legislation would enhance the ability of insular watch and jewelry producers to utilize the PIC program while, at the same time, retaining overall PIC program unit and dollar value limits. Additionally, the legislation would establish a standby mechanism to mitigate the impact of any possible future reduction or elimination of watch duties on a worldwide basis through trade negotiations and congressional action. This mechanism—which has broad support among the insular and domestic watch manufacturing and distribution sectors—would ensure that any future reduction in watch duties does not disturb the relative value of current duty incentives and PIC program benefits for the insular watch industry. Importantly, this standby mechanism would have no effect on current watch duties or PIC program limits.

Under the PIC program, producers of watches and jewelry in the U.S. insular possessions are issued certificates by the Department of Commerce for specified percentages of the producer's verified creditable wages for production in the insular possessions. Based on these certificates, the producers are entitled to apply to the U.S. Customs Service for refunds on duties paid on watches. Certain technical provisions of the PIC program, however, impose unnecessary burdens on producers. These include unclear definitions, unduly complex PIC refund provisions and special issues relating to the extension of PIC benefits to jewelry. The legislation that I am introducing today includes technical adjustments to the PIC program to eliminate these burdens, while retaining overall PIC program limits on units and benefits.

Currently, a producer receives a single PIC certificate of entitlement for each calendar year, which is issued by March 1 of the following year. This certificate serves as the basis for the producer's application for duty refunds to U.S. Customs, a process which can take as long as six months. As a result, there can be delays of as long as 18 months between the time a producer incurs a creditable wage payment and the time the producer receives the related duty refund. The proposed legislation would reduce these unnecessary delays by providing for the issuance of PIC certificates of entitlement on a quarterly basis.

Currently, producers must assemble often voluminous import entry information and apply to U.S. Customs for wage-based refunds. If a producer has not paid sufficient import duties, the producer must sell the PIC certificate to another firm, which then applies for the duty refund. In either event, the PIC program assures that an insular producer is compensated for a specified percentage of its verified production wages, regardless of whether it has paid the corresponding amount of import duties. The bill would simplify this refund process by providing producers with the option of applying directly to the Treasury Department for the full amount of their verified PIC program certificates.

For watches, the PIC program establishes a 750,000 unit limitation on the number of watches used to calculate an individual producer's PIC benefits. When the PIC program was extended by Congress to jewelry, this upper limit was also extended to each individual jewelry producer's qualifying jewelry production. While this limit may be appropriate for watches, which are technically sophisticated and relatively expensive, I am informed that it is likely to unduly limit jewelry production in the insular possessions, which relies on large quantities of relatively lower-priced units. My proposed legislation would address this issue by eliminating the 750,000 unit per producer limit for jewelry, while retaining the overall unit and dollar value limits for the PIC program as a whole.

When Congress extended the PIC program to jewelry in 1999, it sought to encourage the phased establishment of new jewelry production in the insular possessions through a transition rule. Under this rule, jewelry items which are assembled (but not substantially transformed) in the insular possessions before August 9, 2001 would be eligible for PIC program and duty-free benefits. Although this new provision has helped attract new jewelry production to the USVI, I am informed that some potential producers are facing administrative, technical and business delays which may severely erode the benefits of the transition rule. The bill would address this issue by extending the transition rule for jewelry for an additional 18 months.

The bill would help to facilitate long term planning by existing insular producers and attract new producers to the insular possessions by extending the authorized term of the PIC program until 2015. The bill would also clarify current law by stating explicitly that verified wages include the amount of any fringe benefits.

For many years, multinational companies that import substantial quantities of foreign-made watches into the United States have sought to reduce or eliminate U.S. watch duties, either through multiple petitions for duty-free treatment for watches from certain GSP-eligible countries or through worldwide elimination of watch duties in trade negotiations. Insular possession watch producers have repeatedly opposed these efforts on the ground that the elimination of duties on foreign watches would eliminate the relative benefit that insular possession producers receive through duty-free treatment under the General Note 3 (a) program and, in turn, lead to the eventual demise of the insular watch industry. Successive Congresses and Administrations have agreed with these arguments and refused to erode the benefits which insular possession