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# **Examining Opportunities to Decrease U.S. Tariffs on Imports of Italian Jewelry to the United States**

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## Table of Contents

INTRODUCTION.....	3
KEY FINDINGS .....	4
U.S. JEWELRY INDUSTRY.....	6
BACKDROP .....	7
HARMONIZED TARIFF SYSTEM (HTS) .....	8
HTS AMENDMENT PROCESS.....	13
STRATEGY.....	15
INITIAL OUTREACH TO POTENTIAL U.S. STAKEHOLDERS.....	16
SPECIFIC RECOMMENDATIONS .....	17
POTENTIAL ALTERNATIVE SOLUTIONS.....	19
CONCLUSION .....	20
ADDENDUM .....	21

## INTRODUCTION

The United States is one of the most important export markets for Italian-made jewelry. Yet, due to competition from developing countries and high tariffs, the current market share that Italian jewelry enjoys in the United States is threatened.

APCO Worldwide has been retained to research whether changes could be made to the U.S. tariff levels affecting the import of Italian jewelry, particularly gold jewelry. Since Italian jewelry is made with U.S. imports, we focused our effort on the production sharing chapters of the Harmonized Tariff System (HTS) (Chapter 98) and in particular, two sections, 9802.00.60 and 9802.00.80, which speak to metals, inputs and assembly, respectively.

The following report summarizes our research, contains our findings and provides suggestions for moving forward. Our report is divided into the following sections:

- Key findings
- U.S. jewelry industry
- Backdrop
- Harmonized Tariff System (HTS)
- HTS amendment process
- Strategy
- Initial Outreach to potential U.S. stakeholders
- Specific Recommendations
- Potential Alternative Solutions
- Conclusion
- Addendum

## KEY FINDINGS

There is only one way to have the U.S. lower its tariffs and that is through the passage of legislation amending Chapter 98. However, APCO has determined that achieving passage of legislation to amend Chapter 98 of the HTS will be exceedingly difficult, if not impossible. A summary of key findings is outlined below and explained in more detail in the text of the report.

- **Origin of HTS provisions** – experts believe that the language in Chapter 98 is about thirty to fifty years old and is aimed at manufacturing and industrial processes. This likely stems from U.S. automotive companies trading parts between the U.S. and Canada when auto plants in Canada were first created.
  
- **Tariff changes in U.S. law** – in the past six years, the U.S. Congress passed two major trade bills and approved lower tariffs on almost 1,000 items (mostly chemicals). However, few changes have been for products not in high demand. **Over the last six years, experts recall only one product (glass envelopes) whose tariff duty was lowered as a result of a change similar to the situation faced by the Italian jewelry industry.** Once every two years, Congress considers a tariff change bill. Any proposed change needs to be non-controversial and agreed by both the U.S. House of Representatives and U.S. Senate.
  
- **HTS provisions do not apply to Italian jewelry for the following reasons:**
  - Gold is excluded from the definition of “metal” or “base metal” products in 9802.00.60 (gold, silver and platinum are defined as “precious metals” in Chapter 71) and thus cannot currently receive lower duty treatment;
  - Further processing of the imported good in the United States is also needed to achieve lower duty treatment. As we understand it, Italian jewelry products enter the United States ready for sale; and
  - Lower duties are on goods that are assembled overseas only in 9802.00.80. Thus, the value added is only labor. It is our understanding that jewelry companies in Italy do more than assemble the American inputs.

- **Challenges include:**
  - Existence of negative precedents for a change;
  - Lack of positive precedents for such a change;
  - Broad changes to the law would be necessary;
  - Threat of potential beneficiaries from a change to the law which could cause a large increase in competition in the worldwide jewelry industry;
  - Timing of consideration for any legislative alternative; and
  - Reaction of the domestic jewelry industry.

## U.S. JEWELRY INDUSTRY

Since the Italian national representatives of the jewelry and silverware sectors have extensive knowledge of and involvement with the U.S. jewelry industry, we will limit our commentary on the U.S. market to what we believe are pertinent trends. The following is analysis based on our findings:

- Karat gold jewelry accounts for about 12% of the overall jewelry industry, second only to diamonds (40%);
- The U.S. retail jewelry industry has a low barrier for entry and due to the increasing presence of discount department stores like Wal-Mart and internet venues, the industry does not enjoy the margins that it once did;
- The competitive pricing environment within the industry has led to a more commoditized market;
- As industry becomes more global, foreign ownership of firms is likely to increase;
- The domestic manufacturing industry has suffered increasing market penetration from lower cost manufacturers (e.g., India and China). Increases in technological innovation have allowed these countries to expand their production capacity to offer lower-cost products;
- The U.S. jewelry manufacturers are increasingly focusing on higher-end, “complex” jewelry in order to differentiate themselves from cheaper imports. This would place them in more direct competition with Italian manufacturers who also have a significant share of the higher-end jewelry market segment; and
- The only viable way for the U.S. to maintain a significant share of the industry is to compete on quality and prestige and not cost. Small operators who cannot compete on pricing will likely exit the industry and those who have the technology to evolve will benefit from a decrease in players and greater economies of scale.

## BACKDROP

The request to APCO from the Italian national representatives of the jewelry and silverware sectors comes at a time of some unrest for the producers of jewelry imported to the United States.

Most recently, the import market has been dominated by two low cost producers – India and China. The market share of each is potentially changing.

In the case of India, it lost its Generalized System of Preferences (GSP) trade benefit for jewelry as of December 20, 2006, and tariffs on imported Indian jewelry have increased. As a result, year-to-date 2007 figures on imports from India show a decrease in jewelry exports to the United States.

In the case of China, its exports continue strong, but there is increasing concern in the United States about China as a safe and reliable trading partner that could cause a shift away from the purchase of Chinese products and open the door to a more favorable consideration of Italian-made jewelry products.

## HARMONIZED TARIFF SYSTEM (HTS)

There are currently 99 chapters to the Harmonized Tariff System (HTS). Chapters 1 - 97 include a complete breakdown of the tariff treatment of every good manufactured and sold around the world. Signatories to the HTS then agree to charge those tariffs at the border for the particular good.

Of course, not all tariffs are the same for each good. As part of the multinational discussions that created the HTS, each nation (or group of nations such as the European Union) determined the appropriate tariff level for goods entering its customs zone. Thus, the tariff on the same item will vary from nation to nation.

Chapter 71 is the chapter for jewelry. For the HTS as agreed to by the United States, the tariffs on imported items in this chapter range from about 5% to 13%. For most items of jewelry, the tariff is set at 5.8%. By contrast, the duty for similar items as imposed by the European Union is 2.5%.

Any changes to Chapters 1 - 97 can only be done through multilateral negotiations and agreement, either through the World Customs Organization (WCO), which oversees the implementation of the HTS or multilateral trade talks, such as the Doha Round discussions now underway.

There are, however, two chapters of the version of the Harmonized Tariff System as implemented by the United States where changes can be made unilaterally. These are Chapters 98 and 99, which are parts of the HTS where the United States has agreed to make unilateral trade concessions that have the effect of decreasing American tariffs.

In general, there are three ways in which the United States agrees to unilaterally decrease tariffs on goods entering its customs territory.

- First, the United States can agree to unilaterally decrease tariffs on all goods entering the United States from a nation or a region of the world. Thus, Chapter 98 includes language related to duty free entry of goods entering the United States from select nations in the Caribbean, Central America, South America and Africa;
- Second, the United States can agree to temporarily lower duties on imported products that are in “high demand” as inputs for the production of U.S. goods and for which there are few supplies of such goods available domestically. This is the main thrust of Chapter 99. Many of the products so designated are industrial chemicals; and

- Third, and finally, the United States allows products entering the United States that are made with U.S. inputs to be taxed (through the tariff) only on the value added abroad. This effectively lowers the tariff so that goods are cheaper. Jewelry from Italy potentially falls in this last category.

In each of the three instances above, the United States can unilaterally change either Chapter 98 or 99 at any time through an act of Congress.

### Current Treatment of Italian Jewelry Under Chapter 98

Chapter 98 contains two sections that are potentially applicable to imports of Italian jewelry manufactured with U.S. inputs.

The first is section 9802.00.60. It reads:

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 articles as processed outside the United States, or the article which results from processing outside the United States, is returned to the United States for further processing...

The second is section 9802.00.80. It reads (in part):

Articles...assembled abroad in whole or in part of fabricated components, the product of the United States which (a) were exported in condition ready for assembly without further fabrication, (b) have not lost their physical identity in such articles by change in form, shape or otherwise, and (c) have not been advanced in value or improved in condition except by operations incidental to the assembly process such as cleaning, lubricating and painting...

If the imported good meets the criteria as stated above, either or both of the provisions could apply and the tariff would be levied only on the value added.

Given that Italian jewelry is made with U.S. inputs (gold particularly) it would seem that either or both of these provisions would be applicable. However, under current law, Italian jewelry is **excluded** from consideration under each of these sections.

### Exclusion of Italian Jewelry

We have reviewed the language of the HTS and we have held discussions with two key U.S. agencies, the International Trade Commission and the Customs and Border Protection Service about the language in Chapter 98 of the HTS. We have also discussed this issue with specialists in the Office of the United States Trade Representative and with trade staff on Capitol Hill, home of the U.S. Congress. The

reasons why Italian jewelry made with U.S. inputs does not qualify for lower duties are as follows:

- Under 9802.00.60, “metal” is defined as a “base” metal and gold, silver and platinum are defined separately as “precious” metals;
- Further, under 9802.00.60 the language at the end of that section (“...is returned to the United States for further processing”) excludes products that are complete when they return to the United States; and
- Under 9802.00.80, language only applies to fabricated components (including metal ones) that are assembled overseas and not manufactured in any way.

Thus, due to definitional reasons, Italian jewelry products are excluded from consideration under Chapter 98 of the U.S. version of the Harmonized Tariff System.

#### *1. Definition of “Metal”*

In a footnote to Section 9802.00.60, metal is defined as “base metals” plus certain other metals (e.g., arsenic, barium, boron, calcium, and mercury), rare earth elements plus alloys of them. Base metals are defined as:

iron and steel, copper, nickel, aluminum, lead, zinc, tin, tungsten (wolfram), molybdenum, cobalt, bismuth, cadmium, titanium, zirconium, antimony, manganese, beryllium, chromium, germanium, vanadium, gallium, hafnium, indium, niobium (Columbian), rhenium and thallium.

According to our research, this definition predates the current HTS. Most experts believe the language is thirty to fifty years old and is geared to manufacturing and industrial processes. Most likely, the provision stems from the need of American automobile companies to trade parts back and forth between the United States and Canada when they first created plants in Canada and were shipping metal fenders, mirrors, engine parts and the like between the two nations. In addition, portions of this have been utilized by the textile industry.

Thus, because gold is not included in the definition of “metal” or “base metal” products containing gold, silver or platinum (defined as “precious metals” in Chapter 71), it cannot receive the lower duty treatment.

(There is a second potential issue for favorable treatment of Italian jewelry under Chapter 98. As noted above, in 9802.00.60, the word “manufacture” is used. In order to qualify for lower duty treatment, the U.S. input needs to undergo manufacturing in the United States before being sent to Italy. If the products Italian companies purchase is not “manufactured” in the United States first, the Customs

Service could rule this section does not apply to imported jewelry even if gold was included as a metal. This would be particularly relevant if the Italian import of gold from the United States is simply gold ore).

## *2. Further Processing*

The end of section 9802.00.60 specifically indicates that further processing of the imported good in the United States is also needed to achieve lower duty treatment. As we understand it, the Italian jewelry product enters the United States ready for sale to the consumer. Should that be true, then this portion of 9802.00.60 also acts as a barrier to lower duties.

## *3. Assembly*

The second section of Chapter 98 that is potentially applicable is 9802.00.80, which allows for lower duties on imported goods made with U.S. fabricated components if the final product was assembled but not otherwise advanced in value.

This language is not sector specific. It does not apply to metal products, and indeed there is no definition of metal that applies in this case. However, the provision is clear – lower duties on goods that are assembled overseas only. Thus, the value added is only labor.

This provision is also decades old. Its genesis is the textile and apparel industry.

It is our understanding that jewelry companies in Italy do more than assemble the American inputs. There is manufacturing involved which advances the value of the product. Thus, this provision also does not apply to Italian jewelry.

It is our further understanding that the product exported from the United States to Italy is not a “fabricated component,” thus further excluding Italian jewelry from consideration.

## **Challenges**

In addition to the issues listed above which may well limit the ability to be successful in changing Chapter 98 of the U.S. version of the HTS, there are some broader challenges which also confront the industry. These include:

- **Existence of negative precedents** - As noted in the material provided by the Italian national representatives of the jewelry and silverware sectors, in 2002, the Turkish jewelry industry sought a similar status and was told directly that the processes it employed excluded Turkish jewelry products from lower tariff treatment;
- **Lack of positive precedents** - There seem to exist no positive examples of where the language of Chapter 98 was amended by congressional statute that could serve as an example, and a guidepost for future change;
- **Breadth of changes needed** – Both 9802.00.60 and 9802.00.80 have some applicability as noted but each would have to be changed substantially to achieve the appropriate solution. In the case of 9802.00.60, not only would “metal” have to be redefined, but there would have to be an exclusion from the “further processing” rule. In 9802.00.80, both the “fabricated components” language and the issue of assembly only would have to be changed. In both cases, these are substantial alterations of the provisions that run counter to their current and historical intent;
- **Breadth of potential beneficiaries** – Amending either of the two provisions would create an advantage for Italy but it would also create an opening for any nation’s jewelry industry that does not currently receive some form of preferential treatment. Such a change could actually expand the number of competitors faced by the industry from within the European Union, such as France, Germany or the United Kingdom or from outside the EU, such as Turkey. This is not the result the industry is seeking; and
- **Reaction of the domestic industry** – It is inconceivable that the domestic U.S. jewelry industry would sit by and quietly accept these changes. The Italian national representatives of the jewelry and silverware sectors should well expect a government relations and media relations counter effort.

## HTS AMENDMENT PROCESS

Since Chapters 98 and 99 are applicable only to the United States, they can be changed by the United States. Changes are accomplished by the passage of legislation through the Congress of the United States (its legislative branch) and enactment into law through the signature of the president of the United States (the executive branch).

Both chapters have been amended almost continuously as Congress passed and the president signed legislation that allowed goods to enter the United States duty free from developing nations (Chapter 98). In addition, Congress has enacted thousands of short-term changes (3-5 years) to tariff levels for “high demand” products (Chapter 99).

Despite the thousands of changes, few have been for specific products not in high demand. Over the last six years, experts can remember only one product (glass envelopes) whose tariff treatment was lowered as a result of a change in either of the two chapters in a manner similar to what is sought by the Italian jewelry industry.

The reason for this rarity is as follows:

- Congress enacts only one bill every two years that deals with tariff changes;
- There is a rigorous internal legislative and executive branch review process that ensures only those requests that are “non-controversial” are adopted;
- U.S. industry has to support and lead the effort for the change; and
- If developing nations are harmed by the change (particularly those that in this instance might have jewelry industries and receive preferential treatment) and speak out against a lowering of tariffs, it is unlikely to be enacted.

In the case of Italian jewelry, there may well be one further complication. As you well know, the multilateral trade talks are still on-going. Although barely alive, trade ministers are still working toward a solution. Part of those negotiations is aimed at lowering tariffs on a variety of goods and Thailand has a proposal to lower world tariffs on gems and jewelry. Although the fate of the world trade talks and this particular proposal are unknown, it is entirely possible that the government of the United States may suggest that any proposed unilateral changes be made only after the fate of the Doha discussions are made clear. More importantly, it is possible that the United States, knowing that Italy and the EU wish a unilateral reduction in the

tariff through a Chapter 98 change, may use that desire to seek a trade concession from the EU as part of the multilateral trade talks.

## STRATEGY

### The Road Ahead

APCO would be less than candid if we did not say that achieving passage of legislation to amend Chapter 98 of the HTS will be exceedingly difficult, if not impossible. There are many barriers to cross before success can be achieved.

As we see it, there are several key steps that must be taken in the near term to see if there is any true likelihood of success. These include:

- **Creating a specific legislative solution which benefits the Italian jewelry industry** – An agreed upon solution needs to be formulated that achieves the specific goal of the industry;
- **Developing support within the United States business community for such an initiative** – No effort can succeed without strong and vigorous support by affected U.S. industry (which for the moment appears to be gold producers, financial institutions and certain retailers). In fact, it is imperative that U.S. industry be seen as leading the effort;
- **Finding a member of Congress to be a supporter and to introduce the legislation** – The domestic U.S. industry should have contacts with key members of Congress. They would need to enlist the support of the policy maker;
- **Engaging the support of the Italian government and the European Union** – Although this needs to be a domestic U.S. initiative, the quiet support of key governmental bodies will be needed to interact with the U.S. government; and
- **Finding other allies in the United States** – There may well be a number of other voices that could be encouraged to support this effort. From our experience, these could include exporters and importers, transportation companies, boutique store owners, large retailers, business associations and consumers.

## INITIAL OUTREACH TO POTENTIAL U.S. STAKEHOLDERS

APCO conducted an initial outreach to the following major gold and jewelry companies and associations to determine whether they might support a legislative effort to change U.S. tariffs on Italian jewelry.

- Barrick Gold
- Newmont Mining Corporation
- QVC
- Tiffany's
- Amazon
- Whitehall
- World Gold Council
- Jewelers of America
- American Gem Society
- Retail Industry Leaders Association (RILA)

The initial results show a reservoir of support from those closest to the issue. This is extremely important if we are to have any hope of success. For example, we spoke to international trade and government affairs specialists at Barrick Gold and learned that the company would be interested in supporting such an effort. We were told that Newmont Mining's legislative representatives work closely with Barrick Gold and would also be supportive.

The World Gold Council is as receptive to supporting a change in the legislative language as is Jewelers of America, which has members that would likely be interested. Some of their members supported India in a similar effort years ago. These initial results demonstrate a level of domestic U.S. support.

## SPECIFIC RECOMMENDATIONS

Based on our research, our understanding of the current situation and our knowledge of the U.S. political situation, APCO recommends the following specific activities be undertaken in different phases:

### *Phase I*

The key activities during this first phase include:

- Work with a law firm or customs expert knowledgeable about the HTS in general and Chapter 98 in particular to develop a specific proposal amending either of the two provisions. APCO can assist in finding such help if necessary;
- Create the specific arguments and policy documents that explain why such a change in current law is beneficial to the United States, its economy and its consumers. To accomplish this, some further research is required; and
- Conduct a series of meetings with current U.S. supporters of the Italian jewelry industry focusing on the suppliers of the gold to determine whether they could and would support a legislative effort.

**Should for any reason, we jointly determine that none of these activities be brought to a successful conclusion, we recommend that the Italian national representatives of the jewelry and silverware sectors stop their efforts.**

### *Phase II*

The key activities during this second phase include:

- Continuing to identify and contact additional potential domestic supporters who could be advocates for the Italian national representatives of the jewelry and silverware sectors including exporters and importers, large retailers (or their trade associations), transportation companies and consumers to seek their support;
- Finding a member of Congress to introduce the legislation; and
- Introduction of legislation.

**Should for any reason, we jointly determine that none of these activities be brought to a successful conclusion, we recommend that the Italian national representatives of the jewelry and silverware sectors stop their efforts.**

### *Phase III*

The key activities during this third phase include:

- Outreach to key governmental bodies in Italy and the EU (through the appropriate ministries in Rome and Brussels as well as the U.S. offices of the Italian Trade Ministry and the European Union) to get their support and potential help on this issue;
- Outreach to the key U.S. trade ministries including the United States Trade Representative's office, International Trade Commission, Department of Commerce and Department of State to explain the issue to them and to get a sense of their position on this matter; and
- Outreach to key trade staff on the House Ways and Means Committee and Senate Finance Committee (both of which oversee trade policy) to explain the issue to them and to determine their level of support or opposition.

**Should for any reason, we jointly determine that none of these activities be brought to a successful conclusion, we recommend that the Italian national representatives of the jewelry and silverware sectors stop their efforts.**

Should we be successful up to this point, it only remains to ensure that the legislation introduced would become part of the overall tariff bill that is enacted by Congress once per Congress. At present, there are no plans to move such a bill and we expect that this will not occur until 2008.

### Timeline

Our proposed timeline for these activities are as follows:

- Phase I – September/October 2007
- Phase II – October/November 2007
- Phase III – November 2007/January 2008

## POTENTIAL ALTERNATIVE SOLUTIONS

Although we are focusing on amending the HTS, it would be useful to note that there are at least two potential alternative solutions to the problem faced by the Italian jewelry industry.

The first would be to use the provision of 9802.00.60 to import products into the United States that need further processing (after amending the definition of the word “metal”).

The second would be to buy U.S. gold, send it to a country (like Peru, Mexico or the Dominican Republic) which has a preferential tariff arrangement with the United States and then ship it back to the U.S. duty free. The Dominican Republic and other Caribbean nations have emerged as major jewelry outposts. In large part because of the Caribbean Free Trade Agreement, its exports of precious jewelry rose from \$192 million in 2005 to \$230 million in 2006. Under this scenario, the gold is considered U.S. content and would help with price competitiveness.

We recognize that there are benefits and drawbacks to each alternative. Most importantly, Italy may maintain market share at the cost of job losses in Italy.

## CONCLUSION

Based on our findings, we have sought to demonstrate in this report that an effort to change U.S. tariff law in this case would be extremely difficult, if not impossible. However, we believe that if the Italian national representatives of the jewelry and silverware sectors are interested in advancing this issue with the U.S. Congress, it is an opportune time to do so for the following reasons:

- The U.S. tariff bill is scheduled to be reviewed in early 2008 as part of the regular two-year review cycle. If the Italian national representatives of the jewelry and silverware sectors choose not to undertake this effort at present, it will have to wait three years for the next legislative cycle; and
- Over time, increasing U.S. import activity in this sector from emerging economies with low-cost manufacturers such as China and India will continue to put pressure on the U.S. domestic jewelry industry and will force smaller U.S. manufacturers out of the market. As a result, U.S. jewelry manufacturers are increasingly focusing on higher-end jewelry to differentiate themselves from cheaper imports. This would place them in more direct competition with Italian manufacturers who also have a significant share in higher-end jewelry.

We hope you have found this report useful and look forward to hearing your thoughts and further discussing our findings with you.

## ADDENDUM

### Manufacturing Sector

In 2005, the revenue of the domestic jewelry manufacturing industry was \$9.05 billion and the industry employed 42,500 people. Labor in the jewelry manufacturing industry is highly skilled and has become more complex as the industry evolves. Total industry revenue has fallen for 5 consecutive years from 2001 through 2006. The trend is expected to continue in 2007.

- Manufacturers sell to both wholesalers (60% of sales) and retailers (40%);
- **Imports account for 97.8% of domestic demand and exports are estimated to account for 92.4% of industry revenue;**
- Israel is currently the largest trade partner for the U.S.;
- The jewelry manufacturing industry is more decentralized than the U.S. jewelry retail industry. The industry's top four firms by market shares consisted of just 7% of industry revenue (compared to 20% for jewelry retailers);
- Imports are increasing and replacing domestic production. In 2006, imports increased 8.7%. **China is the fastest growing large importer with 20.3% growth on 2004; and**
- Because of the very low concentration in the industry, the industry is highly price competitive.

### Key Players

- **Major Industry Players**
  - Zale Corporation 7.00% - 8.00% (2006)
  - Signet Group plc ADR 7.00% - 7.50% (2006)
  - Tiffany & Co. 3.50% - 4.00% (2006)
  - Whitehall Jewelers, Inc. 1.00% - 1.50% (2006)
  - Other 79.00% - 81.50% (2006)
- **Largest U.S. Gold Company**
  - Newmont Mining

- **Major Gold Importers and Distributors**
  - The Richline Group (part of Berkshire Hathaway) formed by the merger of two leading distributors, Bel-Oro International and Aurofin; and
  - QVC (largest importer of Italian gold)
  
- **U.S. Trade Associations and Interest Groups**
  - Manufacturing Jewelers and Suppliers of America – represents approximately 1,600 members from all sectors of the jewelry industry;
  - Jewelers of America – national association for the retail jeweler. Its mission is to assist all members in improving their business skills and profitability, provides leadership in public and industry affairs, and encourages members with common interests to act in their and the industry’s best interests;
  - American Gem Society - not-profit trade association of fine jewelers, jewelry, and suppliers in the United States, Canada, and some select international members. Today the American Gem Society is comprised of nearly 7,000 retail, supplier, and individual titleholders, and affiliates worldwide; and
  - World Gold Council - Founded in 1987, the World Gold Council is an organization formed and funded by the world's leading gold mining companies with the aim of stimulating and maximizing the demand for, and holding of, gold by consumers, investors, industry, and the official sector.

### Retail Sector

In 2006, the U.S. jewelry retail industry was a \$30 billion industry with 187,907 employees. Revenue and employment growth have stayed relatively flat over the past five years, fluctuating from between \$29.3 billion and \$30.8 billion in revenue and 177,000 and 191,000 employees.

The following are a summary of key statistics regarding the U.S. domestic jewelry industry. Jewelry retailers amount to 50.3% of the domestic jewelry industry.

- Concentration within the industry is very low (the top four major players in the U.S. jewelry industry account for only 20% of the market share). This highly fragmented nature of the industry, with no single merchant owning more than 9% of the market share, ensures there is no one player who has significant leverage over the industry;

- The low barriers to entry in this industry give rise to a highly competitive environment where a large number of small firms compete for low to medium profit margins on industry products;
- Karat gold jewelry holds a 12.7% share of the product lines; which is second only to diamond jewelry which holds a 43.1% share. NOTE: Karat jewelry includes all gold jewelry items in which there are no diamonds colored stones or pearls set, or if diamonds colored stones or pearls constitute less than 50% of the jewelry is value;
- The focal market segment for the U.S. jewelry industry is upper-quartile income earners who constitute 47.4% of sales; and
- **The Southeast and Mid-Atlantic parts of the United States account for 45% of the market.**
  - Geographic breakdown (regional percentage)
    - ◆ **Southeast 26.7**
    - ◆ **Mid-Atlantic 18.4**
    - ◆ Far West 15.4
    - ◆ Great Lakes 15.0
    - ◆ South West 10.2
    - ◆ Plains 6.0
    - ◆ New England 5.2
    - ◆ Rocky Mountains 3.1