§ 303.3 Determination of the total annual duty-exemption.

(a) Procedure for determination. If, after considering the productive capacity of the territorial watch industry and the economic interests of the territories, the Secretaries determine that the amount of the total annual duty-exemption, or the territorial shares of the total amount, should be changed, they shall publish in the FEDERAL REGISTER a proposed limit on the quantity of watch units which may enter duty-free into the customs territory of the United States and proposed territorial shares thereof and, after considering comments, establish the limit and shares by FEDERAL REGISTER notice. If the Secretaries take no action under this section, they shall make the allocations in accordance with the limit and shares last established by this procedure.

(b) Standards for determination. (1) Limitations. A territorial share may not be reduced by more than 500,000 units in any calendar year. No territorial share shall be less than 500,000 units.

(2) Subject to paragraph (c) of this section, the total annual duty-exemption shall not be decreased by more than 10% of the quantity established for the preceding calendar year, or increased, if the resultant total is larger than 7,000,000, by more than 20% of the quantity established for the calendar year immediately preceding.

(3) The Secretaries shall determine the limit after considering the interests of the territories; the domestic or international trade policy objectives of the United States; the need to maintain the competitive nature of the territorial industry; the total contribution of the industry to the economic well-being of the territories; and the territorial industry’s utilization of the total duty-exemption established in the preceding year.

(c) Determinations based on consumption. (1) The Secretaries shall notify the International Trade Commission whenever they have reason to believe duty-free watch imports from the territories will exceed 9,000,000 units, or whenever they make a preliminary determination that the total annual duty-exemption should exceed 10,000,000 units.

(2) In addition to the limitations in paragraph (b) of this section, the Secretaries shall not establish a limit exceeding one-ninth of apparent domestic consumption if such consumption, as determined by International Trade Commission, exceeds 90 million units.

§ 303.4 Determination of territorial distribution.

(a) Procedure for determination. The Secretaries shall determine the territorial shares concurrently with their determination of the total annual duty exemption, and in the same manner (see §303.3, above).

(b) Standards for determination—(1) Limitations. A territorial share may not be reduced by more than 500,000 units in any calendar year. No territorial share shall be less than 500,000 units.

(2) Criteria for setting precise quantities. The Secretaries shall determine the precise quantities after considering, inter alia, the territorial capacity to produce and ship watch units. The Secretaries shall further bear in...
§ 303.5 Application for annual allocations of duty-exemptions and duty-refunds.

(a) Application forms (ITA–334P) shall be furnished to producers by January 1, and must be completed and returned to the Director no later than January 31, of each calendar year.

(b) All data supplied are subject to verification by the Secretaries and no allocation or duty-refund certificate shall be made to producer until the Secretaries are satisfied that the data are accurate. To verify the data, representatives of the Secretaries shall have access to relevant company records including:

1. Work sheets used to answer all questions on the application form;
2. Original records from which such data are derived;
3. Records pertaining to ownership and control of the company and to the satisfaction of eligibility requirements of duty-free treatment of its product by the Bureau of Customs and Border Protection;
4. Records pertaining to corporate income taxes, gross receipts taxes and excise taxes paid by each producer in the territories on the basis of which a portion of each producer's annual allocation is or may be predicated;
5. Customs, bank, payroll, including time cards, production records, and all shipping records including the importer of record number and proof of residency, as requested;
6. Records on purchases of components, including documentation on the purchase of any preassembled movements, which demonstrate that such movements could not have been purchased from the vendor in an unassembled condition, and records on the sales of insular watches and movements, including proof of payment; and
7. Any other records in the possession of the parent or affiliated companies outside the territory pertaining to any aspect of the producer's 9/15 watch assembly operation.
8. All records pertaining to health insurance, life insurance and pension benefits for each employee; and
9. If HTSUS tariffs on watches and watch movements are reduced, records of the annual aggregate data by individual HTSUS watch tariff numbers for the following components contained therein would be required: the quantity and value of watch cases; the quantity of movements; the quantity and value of each type of strap, bracelet or band; and the quantity and value of batteries shipped free of duty into the United States. In addition, if applicable, records of the annual aggregate quantity of discrete watch movements shipped free of duty into the United States by HTSUS tariff number.

(c) Data verification shall be performed in the territories, unless other arrangements satisfactory to the Departments are made in advance, by the Secretaries' representatives by the end of February of each calendar year. It is the responsibility of each program producer to make the appropriate data available to the Departments' officials for the calendar year for which the annual verification is being performed and no further data, from the calendar year for which the audit is being completed, will be considered for benefits at any time after the audit has been completed. In the event of discrepancies between the application and substantiating data before the audit is...