

NATIONAL FEDERATION OF INDEPENDENT UNIONS

By DON MAHON, SECRETARY

Our concern with the Economic Report of the President is centered on the section titled "International Economic Policies." Under the heading "Trade" it states: "This administration is committed to reducing barriers to international trade, as demonstrated by my recent action terminating the 1954 escape clause action on watches, . . ."

We oppose this policy and action as not in the best interests of our country for the following reasons:

Concessions on import rates on watches, watch movement and parts were granted by our Government in a trade agreement with Switzerland in 1936. Thereafter, the domestic watch industry, admittedly efficient, was very seriously injured by imports and in 1954 increases in rates of duties for such articles were increased, permitting the industry to subsist on a minimum level of operations. But in January 1967, the 1954 rates were reduced to those existing in 1936, placing the industry on the threshold of extinction.

In freeing up trade, we have lost valuable production facilities which take 15 years to reestablish. Of 33 integrated plants, there remains only three integrated jeweled watch plants and no fully integrated pin level plants. Only the hard core of a production capability is left of an industry important to our defense.

As stated by the subcommittee of the Senate Armed Services Committee, at stake is an important and efficient industrial capability which contributes very substantially to the military, space, and missile programs; advances the state of the art; and provides a unique pool of skills for industrial and defense needs. Without it, we must rely on the Swiss cartel for our needs; and we have no means of controlling the source of production.

In the Trade Expansion Act of 1962, the Congress provided safeguards to prevent elimination of any industry which we need. More particularly, the Congress considered this problem did not intend that the watch industry be sacrificed in the cause of free trade, and continued its escape clause protection. No such efficient industry as this—which leads the world in technological progress—with electric and electronic watches, the most important development in the art over the past 500 years—should be killed off in contravention of the standards set by the Congress. Administrative action reducing tariffs should be nullified until such time as the Congress changes its mind.