

(2) Sales of the domestic manufacturers were at an all-time high in 1967. Profits of the domestic manufacturers were undoubtedly also at an all-time high in 1967. The largest domestic manufacturer, Timex, is a closely-held corporation and is not required to report its earnings publicly. But since *Timex sales have nearly trebled since 1960 and went up 40 percent last year alone*, we think the assumption is entirely safe. Indeed, *Forbes* magazine recently estimated that U.S. Time last year earned 25 percent on stockholders' equity.

(3) Especially striking is the fact that, as indicated, domestic watch production *increased* in 1967 to an all-time high, despite the restoration of trade agreement rates on watch imports. Conversely, the number of watch movements entering the U.S. from off-shore sources actually declined. A slight increase in dutiable imports was more than offset by a sharp decline in duty-free shipments from U.S. insular possessions.

#### WATCH TARIFF BATTLES ARE BETWEEN COMPETING SEGMENTS OF U.S. INDUSTRY

It is easy to look at watch tariff disputes as a traditional battle between importers and domestic producers. But the structure of the U.S. watch industry differs from that of other industries. All firms in the industry have substantial facilities abroad and in the U.S., and all add substantial values to their products here as well as overseas.

My company, Longines-Wittnauer, and the other members of the AWA, are importers of watch movements. But we do not *sell* watch movements; we sell *complete watches*. The value of the imported watch movement represents only a small percentage of the total cost of the watch.

As the Tariff Commission pointed out in a comprehensive study of the industry issued in 1947, "the cost of the movement, the only imported element, accounted for about 36 percent of the total cost of the importer-assembler, 25 percent of the cost to the retailer, and 12 percent of the price to the consumer." At the time of the study, in other words, about 88 cents of every dollar paid by a customer for a so-called imported watch remained in the United States to pay for goods and services and for the U.S. duty.

While these figures may have changed somewhat in the intervening years, it continues to be a fact that the operations of watch importer-assembler companies contribute heavily to the American economy. Conversely, the so-called domestic watch manufacturers are heavily internationalized. Each of them owns substantial productive facilities overseas and imports a very large number of watches, movements, and parts into this country.

Bulova is the largest single U.S. importer. Hamilton is the largest producer of watch movements in the U.S. Virgin Islands as well as a very substantial importer of dutiable merchandise. And U.S. Time imports large quantities of watch parts which it utilizes, together with U.S.-made parts, to assemble the watch movements its manufactures domestically.

What the controversy over watch import duties involves is a commercial struggle within the total U.S. watch industry. H.R. 11738 would intervene on the side of a few companies which are prospering by every conceivable measure of economic performance and which are well able to take care of themselves. The domestic producers are fond of saying that they could make more money as importers, implying that they are responding to a higher motive in campaigning against imports. But what they really want is the best of both worlds. When Edward T. Carmody of U.S. Time testified before the Tariff Commission in March 1964 in favor of lower duties on imports of watch parts in the pre-Kennedy Round hearings, he acknowledged that he found himself "in a rather unexpected position, that is historically unexpected," and that his request for lower tariffs on watch parts "might appear at first blush to be a somewhat unusual approach." He hastened to assure the Commission that when the escape clause hearings began on duties for watch movements as opposed to watch parts, "we will be heard, I hope effectively, in crying against any disturbance of the present tariff structure in any downward form."

The question that is raised by the proposal to restore the escape clause rates is whether, with respect to this one industry, ignoring the growth and present prosperity of the domestic manufacturers, ignoring also the proofs of injury required under the escape clause. Congress will impose permanently what are essentially the Smoot-Hawley rates on these products—alone or almost alone among products in the Tariff Schedules of the U.S. I hasten to add that imposition of quotas on watch imports would be equally unfair.