

DOMESTIC COMPANIES DOMINATE U.S. MARKET AND SEEK EXCLUSIVE PRESERVE

Such protection is surely unwarranted. We do not know the current figure, but the domestic watch manufacturers were responsible for approximately 60 percent of U.S. watch sales at the time the Tariff Commission issued its report to President Johnson in March 1965. In other words, a small handful of firms accounted for three-fifths of all watches sold in the United States compared to two-fifths for the hundreds of firms comprising the importer-assembler segment of the industry. Each of the major domestic companies is larger than the largest of the importer-assemblers. There are certainly few consumer industries in which a small group of companies dominates so large a segment of the market.

In a nutshell, this dispute is about how large a guaranteed market companies like Timex ought to have. The various studies conducted by the Administration between 1963 and 1967 demonstrated to the satisfaction of any objective observer that Timex and the other domestic companies can compete successfully at the pre-escape clause rates. The Administration was obviously convinced that the threat to pick up and move overseas is an empty threat. What these companies are asking for is, very simply, an exclusive preserve.

DOMESTIC WATCH PRODUCTION HAS INCREASED 130 PERCENT SINCE 1954

We turn now to a more detailed examination of watch industry trends. Even so, we have only touched the high points here of a very complicated situation.

As previously indicated, during the 12½ years while the escape clause tariff rates were in effect, the domestic watch industry made a substantial and successful adjustment to import competition. As shown in Table 1 (attached), apparent consumption of U.S.-made watch movements rose from 7.2 million units in 1954, the year the escape clause increases were imposed, to 16.6 million in 1967, an increase of 130.6 percent.

I am sorry that dollar figures are unavailable, but it is nevertheless instructive to compare the 130.6 percent increase in the volume of U.S. watch production from 1954 to 1967 with increases in sales recorded by other U.S. manufacturing industries during the same period. As shown in Table 2, manufacturers sales in U.S. durable goods industries increased 95.6 percent in that span, and manufacturers sales in non-durable goods industries increased 87.6 percent. Among the major subcategories of manufacture, there are only three in which the rate of increase exceeded 130 percent—instruments, plastics, and electrical machinery which includes the electronics industry. These three subcategories encompass most of the real “high flyers” in American industry during the past decade-and-a-half.

“DOMESTIC” COMPANIES ACCOUNT FOR LARGE PROPORTION OF INCREASED IMPORTS
SINCE 1954

Watch imports have also increased. Yet, based on the report to the President issued by the Tariff Commission following its comprehensive review of the watch escape clause action, imports by importer-assembler firms in 1963 were 10 percent below their 1953 level; on the other hand, imports of watches and watch movements by the domestic manufacturers themselves had increased more than 95 percent. The trend is shown in Table 3. No figures of this type are available for years after 1963, though imports by importer-assemblers have probably increased faster than those of the domestic producers in the last couple of years.

One reason for the decline in imports by importer-assemblers registered during 1963 was the sharp expansion which occurred in that year in shipments of watch movements entering the United States duty-free from the U.S. Virgin Islands. The first firm to assemble movements in the U.S. Virgin Islands was Standard Time Corporation, now a subsidiary of the Hamilton Watch Company. U.S. Time and Bulova also own subsidiaries in the Virgin Islands, as do General Time, Benrus, and Sheffield, among other mainland companies. Hamilton, Bulova, and U.S. Time together have quotas to ship about 1.3 million units in 1968 or approximately 25 percent of the total allotted to the V.I.

In the last couple of years, dutiable watch imports have increased substantially, primarily as the result of the spectacular growth in the market for ladies' fashion watches, including pendant watches worn on a chain around the neck and, more recently, wrist watches in the so-called “mod” or “go-go” styles. As the U.S.