In light of U.S. Time's current position on watch tariffs, it is extremely interesting that this statement was made by the U.S. Time spokesman at hearings in advance of the Kennedy Round negotiations and was designed to persuade U.S. negotiators to grant a full 50 percent reduction in U.S. tariffs on watch parts, the maximum permitted under the Trade Expansion Act of 1962. U.S. negotiators did, in fact, agree to a full 50 percent reduction in tariffs on watch parts—as contrasted to a 33⅓ percent reduction from the 1930 level in the tariffs on most watch movements after the rollback. We believe that U.S. Time continues to enjoy the advantages of international specialization based on production of certain parts in its foreign factories, production of other parts in its U.S. factories, and assembly of completed movements for the U.S. market in Puerto Rico, the Virgin Islands, and in the continental United States.

Certainly there is no basis in fact for the subterranean argument encountered again and again that U.S. Time could do better by shutting up its U.S. factories and supplying the American market entirely from abroad. On the pin-lever watches which continue to be the mainstay of U.S. Time's business, the protection which the company *continues* to enjoy since the tariff reduction amounts to approximately 75 cents per unit, which is considerably in excess of anything U.S. Time could possibly save by producing movements abroad instead of in the United States.

The other major domestic manufacturers are also substantial importer-assemblers. Bulova has foreign facilities in Toronto, Canada, and in Bienne and Neuchatel, Switzerland. In 1960, it acquired majority control of the Recta Watch Company of Bienne. Also in 1960, Bulova established a new subsidiary, Bulova International Ltd., in Bermuda to import jeweled-lever watches from the Citizen Watch Company of Japan. Bulova's Caravelle line, utilizing principally Japanese movements, has become one of the market's major brands in recent years. In 1967, Bulova acquired Universal Geneve, one of Switzerland's most prestigious watchmakers. Today Bulova is the largest single manufacturer in Switzerland and the largest U.S. importer. It also operates a substantial facility in the U.S. Virgin Islands.

Hamilton established a Swiss manufacturing subsidiary, Hamill S. A., in 1969, and subsequently purchased all the outstanding stock of A. Huguenin Fils, S.A., of Bienne, which had been Hamilton's major supplier of imported watch movements since 1952. A Japanese affiliate, the Hamilton-Ricoh Watch Company, which is 60 percent owned by Hamilton, was established in 1962. In 1966, Hamilton acquired the Buren Watch Company, a leading Swiss manufacturer. In addition, in October 1967, Hamilton purchased the Semca Watch Company and organized a new subsidiary, Vantage International G.m.b.H. in Pforzheim, West Germany, to provide watch movements for Hamilton's Vantage line. Additionally, Hamilton owns and operates Standard Time Corp., the oldest and largest of the watch firms in the U.S. Virgin Islands.

General Time has subsidiaries in Mexico, Canada, Brazil, Scotland, and Hong Kong, as well as in the U.S. Virgin Islands.

In brief, each of the domestic manufacturers has become a major international company, with world-wide production and marketing facilities. Each is a major importer for the U.S. market. This trend toward internationalization took place for the most part *after* the tariff increase of 1954. It came about, in part, because higher tariffs shut out inexpensive jeweled-lever watches and opened the way for Timex to grab the lion's share of the low price market. Timex found a formula for manufacturing some parts overseas and some parts in the U.S. that enabled it to take advantage of scale economies in both places. U.S. Time's example, and, equally important, its challenge in the marketplace forced the other companies, like Hamilton, to revise their traditional marketing strategy and to broaden their base of supply. The sudden and spectacular growth of watch operations in the Virgin Islands added to the ferment, affecting everyone in the industry—both those who went to the Virgin Islands and those who did not.

The simple fact is that today the watch industry has become a truly international industry. Even though Switzerland remains by far the largest producer, Swiss and other foreign-based companies, like those in the United States, are using facilities in a number of nations to make watches with components from a variety of sources. Already watch movements are made from parts produced in several countries, assembled in cases manufactured in yet another country, and completed with bracelets or watch bands made in still another country. I believe we will see more of this in the future. I also believe firmly that there will