

shift production to its other plants in the U.S. Virgin Islands and abroad. Elgin's failure, in short, was a management failure. We see no basis in the Elgin example for concern about Bulova, Hamilton, or U.S. Time.

PROPOSED BILL ATTACKS THE BASIC PROCEDURES ESTABLISHED BY CONGRESS

Gentlemen, it seems to us that fundamental trade policy questions are raised by these proposals to limit watch imports, whether by restoring the escape clause tariff rates or by imposing a ceiling on imports as a prelude to a possible quota. Last year, American consumers purchased about 43.3 million watches. Of this total about 16.6 million were U.S.-made, 22.9 million contained imported movements, and 3.8 million contained movements entered free of duty through the U.S. Virgin Islands and Guam.

The real issue posed by H.R. 11738 to this Committee, it seems to us, is the integrity of the procedures and guidelines which the Congress has enacted over the years for the conduct of United States trade policy. Surely, after 12½ years under the escape clause and a careful economic review which documented the successful adjustment of the domestic producers, Congress will not arbitrarily put aside the procedures which it has established—and which have been fully utilized in this case, thus confirming confidence in them on the part of the trading community. The existence of fair and dependable procedures is essential to the reciprocal trade program and to orderly trade relations with the rest of the world.

From the standpoint of the watch industry, I must add that the Herlong bill would be no less damaging than the proposal to restore the escape clause tariff rates. Section 5(d)(3) of that bill would require the certification of a ceiling on imports which supply more than 40 percent of domestic consumption and have increased 15 percent since 1960. Since 1960, U.S. watch consumption has increased more than 90 percent; imports have increased about 75 percent. Although watch imports today supply a smaller portion of the domestic market than they did in 1960, a ceiling would be imposed by this legislation requiring a cutback of approximately 1.5 million units from present import levels. In addition, we are opposed to H.R. 16926 and similar bills because of the administrative difficulties and inequities which inevitably accompany a quota system.

Thank you for giving us this opportunity to present our views.

Table 1.—Apparent consumption of U.S.-produced watch movements

Year:	[In units]	Volume
1954	-----	7, 183, 000
1955	-----	8, 358, 000
1956	-----	9, 286, 000
1957	-----	7, 782, 000
1958	-----	9, 448, 000
1959	-----	11, 282, 000
1960	-----	9, 475, 000
1961	-----	9, 668, 000
1962	-----	11, 919, 000
1963	-----	12, 135, 000
1964	-----	11, 970, 000
1965	-----	13, 609, 000
1966	-----	15, 192, 000
1967	-----	16, 599, 000

NOTE.—Apparent consumption of domestic watch movements represents domestic production of watch movements in the U.S. minus U.S. exports of watches containing such movements.

Source: U.S. Tariff Commission.