

EXECUTIVE OFFICE OF THE PRESIDENT,
OFFICE OF EMERGENCY PLANNING,
Washington, D.C., November 14, 1966.

MEMORANDUM FOR THE PRESIDENT

INTRODUCTION

In April 1965 the Director of the Office of Emergency Planning, at your request, ordered an investigation under Section 232 of the Trade Expansion Act of 1962 to determine whether or not watches, movements and parts are being imported into the United States in such quantities or under such circumstances as to threaten to impair the national security.

Notice of the investigation was published in the Federal Register on April 8, 1965. A press release of the same date announcing the investigation invited all interested parties and organizations to submit their comments and views within the time prescribed by OEP Regulation 4.

Initial briefs, statements and rebuttal material were filed for the record of this investigation by the Bulova Watch Company, Hamilton Watch Company, Elgin National Watch Company and General Time Corporation on behalf of the domestic watch manufacturers, and by the American Watch Association for the U.S. watch importers.

Two other domestic watch manufacturers, the U.S. Time Corporation and the Ingraham Company, did not submit their views for the record of this investigation.

The import products encompassed in the investigation included watches and watch movements of jeweled and pin-lever construction and watch parts.

The domestic watch industry

The domestic watch industry consists of the manufacturing segment producing watches and watch movements of both jeweled and pin-lever construction, and of some 200 firms which import movements and assemble watches for sale in the United States and world markets.

The manufacturing segment consists of six companies. Of these, Bulova, Elgin, and Hamilton produce mainly jeweled-lever movements, and General Time, U.S. Time, and Ingraham produce pin-lever movements. Since 1961 U.S. Time had also been producing watches incorporating a 21 jeweled-lever movement differing somewhat from a conventional jeweled-lever movement. The pin-lever movements produced by U.S. Time are assembled domestically from an admixture of imported and domestic parts.

General Time and Ingraham, at present, produce only pin-lever pocket watches and clocks. Elgin's production is now limited to ladies jeweled-lever wrist watches.

Currently, Bulova and Hamilton also produce watch movements powered by miniature electric cells, and U.S. Time is marketing a watch incorporating an imported movement powered by an electric cell.

All of the domestic watch manufacturing companies, with the exception of Elgin, are engaged in varying degrees, in the production of components utilized in military ordnance, missile and space programs. By May 1965, Elgin had completed or discontinued work on all Government contracts and had sold nearly all of the machinery and equipment used in such production.

U.S. consumption, production, and imports

Apparent U.S. consumption of watches incorporating both jeweled and pin-lever movements has increased substantially during the past decade, reaching an annual average of over 26 million units in 1962-64, as compared with some 16 million in 1954. The 1965 consumption reached an all-time high of over 34 million units, an increase of some 25 percent over 1964. Consumption figures are understated by watches brought in by tourists or smuggled into the U.S. custom territory. Of the 1965 consumption total, some 18 million units were sold by the six domestic companies, and some 16 million by the more-than-200 firms in the importer-assembler segment of the industry. The Tariff Commission in a report to the Senate Finance Committee estimates that consumption during 1966 will reach 42,000,000, up some 22 percent from 1965.

The increase in quantity consumed since the beginning of the last decade was almost entirely of watches incorporating pin-lever movements. However, since 1961 there was a significant upward trend in the consumption of jeweled-