lever watches, particularly in the lower price ranges imported from abroad and the U.S. Virgin Islands.

U.S. production of all movements increased from 7.4 million in 1954 to about 13.7 million in 1965. The trend, however, of U.S. production of jeweled-lever movements declined from 1.7 million units in 1954 to 1.3 million in 1965. During the past decade domestic jeweled-lever production has tended to become concentrated on over-17-jewel movements. The demand for less expensive watches has been met by imports from the companies' overseas facilities or other sources. The over-17-jewel movements have never accounted for a significant proportion of the imports, apparently because the high import duty in effect on such movements substantially precludes import competition. In recent years two of the major jeweled-lever producers, Hamilton and Bulova, have been concentrating on developing the production and marketing of electronic and electric watch movements for which no competitive imported product is being marketed in the U.S. to any substantial degree. Their production and sales of movements of this type are still a minor portion of their production and sales of conventional type movements.

The aggregate imports in the period 1954–1964 (including shipments from the Virgin Islands which began in 1959) did not show any appreciable upward or downward trend, accounting for an average of about 55 percent annually of apparent domestic consumption. In 1965 the ratio was about 60 percent.

The major companies in the domestic watch manufacturing industry have in recent years acquired or expanded facilities abroad and in the Virgin Islands for producing movements. Bulova, Hamilton and Elgin, which also own or control a number of foreign plants in Switzerland or Japan, have in recent years accounted almost wholly for the increase in U.S. imports of jeweled-lever movements. Each of these companies imports watch movements in quantities exceeding several times its domestic production. In 1964 these three companies accounted for about 46 percent of the total imports.

U.S. Time and its affiliates operate foreign plants in England, France, West Germany, Scotland, Puerto Rico, Canada and Hong Kong. Its domestic output during the past decade increased very substantially and now accounts for practically the entire domestic production of pin-lever watches.

General Time in addition to its domestic plants owns or controls a number of foreign subsidiaries. The Ingraham Company has a fabricating and an assembly plant in the United States and through a subsidiary operates a pocket watch assembly plant in Canada.

While some parts incorporated in domestically produced movements are imported, such imports are not significant except for U.S. Time. The latter has been importing since 1955 an increasing share of parts for use in the assembly of its domestically produced movements. Some of the other jeweled-lever producers have been importing from time to time some parts for their domestic production of movements. All domestic producers are importing jewel bearings.

Since 1959, the Virgin Islands became an important source for shipments to the United States of 17-jewel movements. The movements are assembled from foreign-made parts or subassemblies imported into the Islands at a very low rate of duty. The assembled movements or complete watches are shipped to the United States duty-free if they do not contain foreign materials having a landed cost of more than 50% of the appraised value of the movements. The 1965 shipments from the Islands were almost three times the number of jeweled-lever movements produced in the U.S. during that year. In 1966, sixteen companies were assembling watches in the Islands. Five of the plants are owned by Bulova, Elgin, Hamilton, General Time and U.S. Time, and at least five of the other ten plants are owned by major U.S. watch importers. In August 1965, the Government of the Virgin Islands instituted a quota system through the imposition of a production tax of $2.50 on each watch movement manufactured in the Islands for shipment to the United States in excess of a stipulated quantity. Beginning April 1, 1966, this tax applies to each movement in excess of annual quantity equal to one-ninth of the U.S. consumption of watch movements. In 1966 the Virgin Islands District Court invalidated the methods used for enforcing this quota.

Late in 1965 a watch movement assembly plant was established in Guam. Duty-free shipments from that plant to the U.S. customs territory began in November 1965.

In October, this year, Congress passed legislation limiting shipments from U.S. insular possessions to ⅑th of the total U.S. watch consumption—⅞ths to