

Statements were made by representatives of the jeweled-lever watch industry that there is an interdependence between watch production and defense production, and that the latter could not be sustained economically unless watch production at adequate levels is maintained. The facts, however, as to three of the five domestic watch manufacturers involved in defense production, do not appear to support this contention. Two of these companies, General Time and Ingraham, produce, in addition to clocks, only pocket watches of pin-lever construction which are not significantly affected by import competition, if at all. Notwithstanding this, these companies are very substantial producers of sophisticated military components and their defense sales and defense backlogs have been increasing at a rapid rate in the past several years. In the case of the third company, the United States Time Corporation—the largest U.S. producer and assembler of pin-lever wrist watches—the non-watch capabilities of that firm are of such a nature and size as to be largely self-sustaining. As in the case of General Time and Ingraham, the defense sales of U.S. Time account for a significant proportion of its total sales, and the current defense backlog is the highest in the firm's history.

The domestic watch industry with its long tradition of experiences in micro-miniature precision skills required for defense production is an important segment of our mobilization base. The Department of Defense and the Atomic Energy Commission are currently relying and will continue to rely for some years to come on the watch industry to meet a good portion of the current and projected requirements for certain types of timing devices, safety and arming devices, and timepieces. In many instances the industry has excelled in meeting the need for both speed and quality in the procurement of horological-type defense items.

However, the basic issue in this investigation is not a determination as to whether or not the watch industry's facilities and skills are important to our mobilization base. Virtually every industry in this country has a role to play in our defense effort whether in peace or war. In times of a major emergency a maximum logistic effort to save the nation will require the conversion and use of all the machinery, skills and experience *wherever* found throughout the economy.

We must ascertain whether the quantities or circumstances of continued imports of watches, movements and parts threaten to impair the national security by impairing, or inhibiting the creation or maintenance of, essential productive capacity, specialized skills or other factors important in times of a national emergency. Stated differently, (a) are watch imports having such a debilitating effect on the domestic watchmaking operations as to impair the ability to meet current and projected defense requirements, and (b) will an impairment of such ability in turn impair or threaten to impair our national security?

In considering existing capability outside the watch industry, the issue with which this investigation is primarily concerned is not whether non-horological firms can produce *watches* in an emergency, but whether such firms possess the skills and facilities to produce the same types of components for military hardware as the watch companies. We therefore considered carefully the existing capability in the total U.S. micro-miniature precision industry. The conclusion arrived at, supported by studies made by interested defense agencies, is that even though the watch industry has valuable capacity and skills which are being and will continue to be utilized in the defense effort, its abilities cannot be considered unique outside the watchmaking field. The non-watch companies, even though they encountered in many instances production difficulties with certain horological-type defense items, are mastering the problems. If necessary, the defense agencies can use the so-called "mobilization base" exception to confine contract awards for horological-type items to particularly qualified non-watch companies needed to maintain a production base should the watch companies not be available.

As regards watches per se, accurate timepieces are important to the conduct of war and essential civilian operations.

Military requirements for watches in a mobilization period are but a small fraction of one percent of the amount currently consumed in the United States, and the defense agencies are able, by stockpiling, to meet military needs in the event they are cut off from fresh supplies.

With respect to essential civilian requirements, the estimate by the Department of Commerce was based largely on the experience of World War II, adjusted upward for such factors as increase in the U.S. population and the increased mechanization and urbanization of the economy. Civilian (including in-