and what will inevitably continue to happen to the industry under present circumstances.

As you know, all U.S. companies have long ago been forced to establish some plants abroad. We, ourselves, now have facilities in Germany and Switzerland. As it becomes necessary, the only two companies which make complete movements in the United States must make further shifts abroad and U.S. Time must move the remaining portion of its U.S. production.

This process, apparently, is what the witness for importers of watch movements referred to so euphoniously before your Committee as "a successful adjustment to import competition," or "taking advantage of international specialization." The witness' reference to increased sales and profits of the U.S. watch-movement producers, including Hamilton, is wholly misleading. I can tell you categorically that our sales of watches with domestic movements have declined, not increased, and that we are not profiting from the sale of such movements. Under present circumstances, we must look to imported movements or to wholly different products for the profits we report.

As we have said over the years, a shift to complete importation of watch movements is not necessarily injurious to our profits. It is easy to see that any company can generate more profit by making movements in Switzerland rather than in the United States because the Swiss wage rates are less than half the U.S. rates for the same skills. But transferring jobs abroad is not helpful to our employees, and the loss of watchmaking skills in America is not in the interest of our national security.

Subcommittees of the Senate Armed Services Committee reported in 1954 and again in 1964, that the industry was important to our national security because of its ability to shift its watchmaking skills to emergency production of precision timing devices for missiles, rockets, shells and other weapons. As a preliminary to the 1967 reduction of watch tariffs, the Secretary of Defense advised the Director of the Office of Emergency Planning that the watch industry was important, but refused to advise that any steps should be taken—specifically, the retention of the 1954 escape clause rates—in order to preserve the industry. I use the word "refused" advisedly because the Secretary acted contrary to the advice of the office of the Assistant Secretary for Installations and Logistics and that of the Government arsenals and laboratories directly responsible for procurement of precision mechanical timing devices. The Secretary's letter actually took the position that there was adequate capacity for precision timing devices in other less-skilled industries, although it was a known fact at the time that a shortage of U.S. capability existed even with the watch industry fully involved in the fuse program. At present, every one of the producers of one important new time fuse is a watch company. The Secretary's reversal of the staff recommendations based upon many months of study resulted from intervention of the office of the Assistant Secretary for International Security Affairs, which was activated by those who believe that reduction of U.S. tariffs is of paramount importance.

Based upon this, and many similar experiences which I will not take time to recount, it is our firm opinion that the present procedures for preservation of industries which are seriously injured economically and those whose loss is not in the national interest are wholly ineffective. The futility of escape clause procedures is demonstrated not only by the small number of escape clause actions taken, but even more clearly by the recent determined and systematic revocation of those few which had been taken. The domination of trade policy over national interests in preservation of an industrial base for emergency military procurement has been made clear to us by the experience I have just described. Those responsible for administration of the trade program seem firmly convinced that no consideration should stand in the way of tariff reduction. The safeguard procedures written into the Trade Expansion Act by the Congress are regarded not as applicable principles of administration but as unwise obstacles to development of free trade to be circumvented after appropriate lip service.

This attitude has now become so pervasive in the various Departments and Agencies, largely through a program of strategic placement of personnel totally indoctrinated in their free trade philosophy that there is no hope for a change of administrative policy. Any meaningful restraints or remedial action must be legislatively imposed.

Sincerely,

ARTHUR B. SINKLER,
Chairman of the Board.