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{ REPORT
{ No. 1442

DISPOSITION OF SMUGGLED WATCHES, WATCH MOVEMENTS, AND PARTS

JUNE 6 (calendar day, JUNE 15), 1934.—Ordered to be printed

Mr. WALSH, from the Committee on Finance, submitted the following

REPORT

[To accompany H.J.Res 322]

The Committee on Finance, to whom was referred the joint resolution (H.J.Res. 322) to provide for the disposal of smuggled merchandise, to authorize the Secretary of the Treasury to require imported articles to be marked in order that smuggled merchandise may be identified, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the resolution as amended do pass.

The committee has amended the resolution to provide that the merchandise covered by the bill may not be sold upon the domestic market, if sold at all, but must be sold abroad.

The following statement from the report of the House Ways and Means Committee (H.Rept. No. 1751, 73d Cong., 2d sess.) contains an explanation of the purposes of the bill.

The primary purposes sought to be accomplished by the passage of the resolution (H.J.Res. 322) are (1) to protect the domestic manufacturer of watches, watch movements, and parts thereof, as also the legitimate importers of such merchandise, against the destructive competition resulting from the disposition of smuggled watches confiscated by the Government, and (2) to discourage the smuggling of such merchandise by increasing the hazard by authorizing the destruction, rather than the sale, of such merchandise when apprehended.

Evidence before your committee shows the domestic jeweled-watch industry has an invested capital of approximately \$30,000,000, and annually employs about 10,000 workers, mostly highly skilled, with an annual productive capacity of approximately 3,500,000 movements.

The economic decline in this industry has been serious, especially in the past few years. At one time there were some 60 companies engaged in the manufacture of jeweled watches in the United States. In 1927 this number had been reduced to 10; and in 1932 was further reduced to 3,—namely: Hamilton Watch Co., Lancaster, Pa.; Waltham Watch Co., Waltham, Mass.; and Elgin National Watch Co., Elgin, Ill.

While this high percentage of commercial casualties in the domestic watch industry cannot, of course, be attributed solely to the large increase in smuggled

watches, movements, and parts, yet your committee is of the opinion that this is one of the major causes.

The normal domestic market for jeweled watches and movements competitive with those produced by our domestic manufacturers, was approximately 4,500,000 movements annually. In 1932 the estimated American consumption was 1,935,000. The 1932 domestic production was 434,941 jeweled movements and the legitimate duty-paid imports was 433,180 movements, or a total of 868,121. Deducting the legitimate imports and the domestic production from the 1932 estimated American consumption, leads inevitably to the conclusion that there were approximately 1,000,000 watch movements smuggled or fraudulently introduced into the commerce of the United States in the year 1932.

The following table showing the decline in the production of American-made jeweled-watch movements, and the total duty-paid imported movements since 1926 clearly indicates that the smuggling of watches is continually increasing.

Year	American production jeweled watch movements	Total duty-paid imports	Year	American production jeweled watch movements	Total duty-paid imports
1926.....	2,089,303	3,868,776	1930.....	1,327,065	2,763,480
1927.....	2,281,303	4,375,097	1931.....	608,933	851,727
1928.....	1,741,495	3,843,343	1932.....	434,941	433,180
1929.....	1,735,039	4,935,315	1933 (6 months)....	84,490	81,922

NOTE A.—The figures of American production prior to 1928 include those made by companies later forced to discontinue American manufacture.

NOTE B.—Imports for 1926 taken as the representative year include approximately 1,500,000 one-jewel and nonjeweled watches and not directly competitive with the product of American jeweled watches.

NOTE C.—Deducting 1,600,000 from the total American made, plus imported movements (5,958,169) leaves 4,458,169 as the estimated 1926 American market demand.

Your committee feels that the passage of legislation forbidding the sale of such forfeited, condemned, or abandoned merchandise by the Government, and by limiting the use of the same only for experimental, scientific, or educational purposes by the various departments and bureaus of the Government will, to a large extent, curtail the smuggling of such merchandise.

Evidence presented to the committee shows that during the past year more than 30 individuals have been arrested and indicted or convicted in connection with the smuggling in commercial quantities of jeweled watches and watch movements at New York, Rouses Point, and Ogdensburg, N.Y., in which customs districts the principal seizures are made.

Evidence was also before your committee showing that on December 4, 1930, the United States Marshal for the Southern District of New York sold at public auction 39,276 watch movements, having a home value in the United States of \$135,000, for the sum of \$66,600; and that thereafter the purchaser advertised these watches at prices far below that of similar American-made watches.

In many instances these confiscated watches are sold at public auction for considerably less than the amount of duty that should have been paid the Government. In one instance the Government sold 60,000 watches for a total of only \$95,000, while the duty alone would have amounted to \$240,000, showing a net saving of \$135,000. In many instances the parties smuggling these watches into the United States, or their representatives, purchase the same back at these auctions.

It is the opinion of your committee that smuggling would soon be discouraged if the confiscated merchandise is destroyed instead of being sold. If such a policy was inaugurated the financial loss sustained would be sufficient to discourage the activities of smugglers, whereas a continuation of the present policy helps keep them in business.

At the present time there are approximately 29,960 movements on hand in the three customs districts previously referred to, as well as 2,583 complete watches and a quantity of miscellaneous watch parts in the New York district awaiting disposition by the Government, as shown by letter from the Acting Commissioner of Customs, copy of which is incorporated in this report.

Your committee feels that these should not be sold and placed in direct competition with American-made watches and the legitimate imported duty-paid watches, but that every effort should be made to aid in the reemployment of our idle workers.

The jeweled-watch industry with its highly complicated machinery and specially trained technical workers makes this industry of vital importance in any program of national defense, and every encouragement should be extended. During the World War this industry produced many of the highly technical precision instruments used in our military, naval, and air services, such as time fuzes for hand grenades, timepieces, and chronometers, altimeters, and many other delicate instruments so necessary in the successful prosecution of the war.

