S. HRG. 98-863

TEXTILE FIBER AND WOOL PRODUCTS IDENTIFICATION IMPROVEMENT ACT

HEARING

BEFORE THE

SUBCOMMITTEE ON THE CONSUMER

OF THE

COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

SECOND SESSION

ON

S. 1816

TO AMEND THE TEXTILE FIBER PRODUCTS IDENTIFICATION ACT, THE TARIFF ACT OF 1930, AND THE WOOL PRODUCTS LABELING ACT OF 1939 TO IMPROVE THE LABELING OF TEXTILE FIBER AND WOOL PRODUCTS

APRIL 25, 1984

Serial No. 98-86

Printed for the use of the
Committee on Commerce, Science, and Transportation

U.S. GOVERNMENT PRINTING OFFICE

35-924 O WASHINGTON : 1984

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TEXTILE FIBER AND WOOL PRODUCTS IDENTIFICATION IMPROVEMENT ACT

WEDNESDAY, APRIL 25, 1984

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
SUBCOMMITTEE ON THE CONSUMER,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:35 a.m., in room SR-253, Russell Senate Office Building, Hon. Bob Kasten (chairman of the subcommittee) presiding.

Staff members assigned to this hearing: Chuck Harwood, staff counsel, and Loretta Dunn, minority staff counsel.

OPENING STATEMENT BY SENATOR KASTEN

Senator KASTEN. The subcommittee will come to order. This morning the Consumer Subcommittee will hear testimony on S. 1816, the Textile Fiber and Wool Products Identification Improvement Act. The legislation is sponsored by my friend and colleague Senator Thurmond and relates to the country-of-origin labeling requirements for textile and apparel products. If passed, the bill would amend the Textile and Wool Products Acts to require country-of-origin labeling on household textile products, in sales literature, and in advertisements, concerning textile products.

S. 1816 also requires that the label showing the country-of-origin be conspicuously located.

Current laws, administered by the Federal Trade Commission, already require some labeling for foreign-made textile products. These laws were enacted so American consumers could easily determine the source of textile goods and so that Customs inspectors enforcing import restrictions can quickly determine a product's origin. S. 1816 would strengthen and expand those requirements.

The goals of the country-of-origin labeling requirements are critically important. Consumers often choose products on the basis of country of manufacture. If consumers are being misled or customs agents are unnecessarily hindered, the labeling laws should be revised.

During the testimony today, I will be listening closely to the evidence showing that current labeling laws could be improved.

I am pleased that the ranking minority member of the Commerce Committee, Senator Hollings, is with us today. Do you have an opening statement at this time, Senator?

Senator HOLLINGS. No, thank you, Mr. Chairman. I am rather ambivalent about this measure, critical, but I would rather hear

from my senior colleague before I criticize. I am not criticizing him; I am criticizing the approach. Let us hear from him and then I will make a statement.

[The bill follows:]

98TH CONGRESS
1ST SESSION

S. 1816

To amend the Textile Fiber Products Identification Act, the Tariff Act of 1930, and the Wool Products Labeling Act of 1939 to improve the labeling of textile fiber and wool products.

IN THE SENATE OF THE UNITED STATES

AUGUST 4 (legislative day, AUGUST 1), 1983

Mr. THURMOND introduced the following bill; which was read twice and referred to the Committee on Commerce, Science, and Transportation

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A BILL

To amend the Textile Fiber Products Identification Act, the Tariff Act of 1930, and the Wool Products Labeling Act of 1939 to improve the labeling of textile fiber and wool products.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Textile Fiber and Wool Products Identification Improvement Act".

SEC. 2. Subsection (b) of section 4 of the Textile Fiber Products Identification Act (15 U.S.C. 70b) is amended by adding at the end thereof the following new paragraph:

"(5) If it is a textile fiber product processed or manufactured in the United States, it be so identified.".

SEC. 3. Subsection (e) of section 4 of the Textile Fiber Products Identification Act (15 U.S.C. 70b) is amended to read as follows:

"(e) For purposes of this Act, in addition to the textile fiber products contained therein, a package of textile fiber products intended for sale to the ultimate consumer shall be misbranded unless such package has affixed to it a stamp, tag, label, or other means of identification bearing the information required by subsection (b), with respect to such contained textile fiber products, or is transparent to the extent it allows for the clear reading of the stamp, tag, label, or other means of identification on the textile fiber product.".

SEC. 4. Section 4 of the Textile Fiber Products Identification Act (15 U.S.C. 70b) is amended by adding at the end thereof the following new subsections:

"(i) For the purposes of this Act, a textile fiber product shall be considered to be falsely or deceptively advertised unless the same information as that required to be shown on the stamp, tag, label, or other identification under subsection (b) (4) or (5) of this section is contained in the heading, body, or other part of any written catalog or other advertisement

which is used to aid, promote, or assist directly or indirectly in the sale or offering for sale of such textile product.

"(j) For purposes of this Act, an imported textile fiber product shall be misbranded if a stamp, tag, label, or other identification conforming to the requirements of this section is not on or affixed to such product in the most conspicuous place on the inner side of such product, unless it is on or affixed on the outer side of such product.".

SEC. 5. Subsection (c) of section 304 of the Tariff Act of 1930 (19 U.S.C. 1304) is amended by adding "to the country of origin" after "exported".

SEC. 6. Paragraph (2) of section 4(a) of the Wool Products Labeling Act of 1939 (15 U.S.C. 68b(a)) is amended by adding at the end thereof the following new subparagraphs:

"(5) If it is an imported wool product without the name of the country where processed or manufactured.

"(6) If it is a wool product processed or manufactured in the United States, it shall be so identified.".

SEC. 7. Section 4 of the Wool Products Labeling Act of 1939 (15 U.S.C. 68B) is amended by adding at the end thereof the following new subsections:

"(i) For the purposes of this Act, a wool product shall be considered to be falsely or deceptively advertised unless the same information as that required to be shown on the stamp, tag, label, or other identification under subsection (a) (5) or

(6) of this section is contained in the heading, body, or other part of any written catalog or other advertisement which is used to aid, promote, or assist directly or indirectly in the sale or offering for sale of such wool product.

"(j) For purposes of this Act, and imported wool product shall be misbranded if a stamp, tag, label, or other identification conforming to the requirements of this section is not on or affixed to such product in the most conspicuous place on the inner side of such product, unless it is on or affixed on the outer side of such product.".

SEC. 8. Section 5 of the Wool Products Labeling Act of 1939 (15 U.S.C. 68c) is amended—

(1) by striking out "Any person" in the first paragraph and inserting in lieu thereof "(a) Any person",

(2) by striking out "Any person" in the second paragraph and inserting in lieu thereof "(b) Any person", and

(3) by inserting after subsection (b) (as designated by this section) the following new subsection:

"(c) For the purposes of subsections (a) and (b) of this section, any package of wool products intended for sale to the ultimate consumer shall also be considered a wool product and shall have affixed to it a stamp, tag, label, or other means of identification bearing the information required by section 4, with respect to the wool products contained there-

in, unless such package of wool products is transparent to the extent that it allows for the clear reading of the stamp, tag, label, or other means of identification affixed to the wool product.".

SEC. 9. The amendments made by this Act shall be effective on the date of enactment of this Act.

STATEMENT OF HON. STROM THURMOND, U.S. SENATOR FROM SOUTH CAROLINA

Senator THURMOND. Mr. Chairman, I would like to thank you and Senator Hollings and the other members of the committee for arranging this hearing today and for allowing me to testify before the Senate Commerce Subcommittee on Consumer Affairs.

In the closing months of the 97th Congress, Senator Hollings and I introduced S. 1816, the Textile Fiber and Wool Products Identification Improvement Act. This bill is directed at strengthening the domestic law as it relates to country-of-origin labeling requirements for textile and apparel products.

While present law requires country-of-origin marking on textile products entering the United States, there have been increasing instances where textile and apparel products are entering the United States in violation of domestic labeling laws.

One of the major problems in the effectiveness of existing law is the fact that labels are often placed in inconspicuous places. This bill would designate that the label be attached to the most conspicuous place on the inner side of the foreign-made textile apparel product. This will allow easy identification of the label by consumers and will help with enforcement of present textile agreements.

My bill will also require that a textile apparel product be labeled if it were produced in this country. Another provision of the bill would require that both the textile product as well as the package in which it is contained be labeled as to country of origin.

The final, major feature of the bill would mandate that catalog sales descriptions and other advertisements for textile products contain country of origin information.

Mr. Chairman, reports have shown that U.S. consumers prefer to buy American-made textile apparel products. This legislation will simply allow consumers to better identify the products they wish to purchase. Mr. Chairman, allow me to explain why it is important for the Consumer Subcommittee to expedite their review of this legislation so that it can be considered by the full Senate as soon as possible.

The domestic textile fiber and apparel complex employs over 2 million Americans nationwide. This industry provides more jobs

than the U.S. auto and steel industries combined. Unfortunately, the U.S. textile apparel industry is suffering through its most severe crisis in recent history. Textile apparel imports from low-wage-paying countries, such as the People's Republic of China, Taiwan, and Hong Kong and others, have flooded our markets and displaced thousands of American workers.

In 1983, import growth for textile apparel products was recorded at a 25-percent increase over 1982. For the first 2 months of 1984, textile apparel imports were up 45 percent over the same period in 1983. Last year's trade deficit for textiles and apparel was $10.6 billion, 15 percent of the entire U.S. trade deficit, which totaled $69.3 billion.

Finally, over the past 7 years, 413,000 textile and apparel jobs have been lost in this country.

Mr. Chairman, I would like to make it clear that this legislation does not attempt to limit or restrict textile apparel imports into the United States. The bill simply calls for clear labeling of textile apparel products and passage of S. 1816 will allow consumers to easily recognize the country-of-origin labels on these goods at the retail level.

While this legislation will not correct all the problems confronting our domestic textile apparel industry, it is a positive step toward preserving one of America's most vital and strategically important industries.

For these reasons, I hope that the Consumer Subcommittee can complete its review of and prepare S. 1816 for full Senate consideration as soon as possible.

Now with regard to imports, I want to say that legislation may have to be introduced on that subject, but the subject at hand now is to let American consumers know what products are made in America, as I think most people prefer to buy American manufactured products, and this helps the working people of this country, it helps the business interests of this country, it helps everybody. And I am hoping we can get prompt action on this bill which Senator Hollings and I have introduced. I have some material that I would like to have inserted in the record.

Senator KASTEN. It will be inserted in the record.

[The following was received for the record:]

EXCERPTS FROM THE FEDERAL REGISTER

§ 15.369 Disclosure of foreign origin required in mail order advertising.

(a) The Commission rendered an advisory opinion to an importer of women's panty hose that it would be necessary to make a clear and conspicuous disclosure of the foreign origin of the hose in all mail order promotional material.

(b) Under the factual situation presented to the Commission, the importer proposes to purchase the wearing apparel in West Germany for resale in the United States through the mail. The hose will be plainly marked with a "Made in Free West Germany" tab sewn into the back of the garment, and the same disclosure will also be made on a paper stricker attached to the front of each cellophane bag containing the hose.

(c) Concluding that a disclosure would be required, the Commission said: "The underlying reason for the disclosure requirement is that mail order purchasers do not have the opportunity to inspect the merchandise prior to the purchase thereof and be apprised of a material fact bearing upon their selection."

[34 FR 14517, Sept, 18, 1969]

§ 15.347 Disclosure of origin of imported shoes.

(a) In response to a request for an advisory opinion, the Commission ruled that it would be necessary for the requesting party to make a clear and conspicuous disclosure of the foreign country of origin of its imported shoes.

(b) Under the factual situation present in the ruling, it was assumed that the shoes were entirely of foreign manufacture and after importation they were to be sold to the general public.

[34 FR 7445, May 8, 1969]

Excerpts From Federal Trade Commission Decisions

INITIAL DECISION

FINDINGS OF FACT

1. Respondents Manco Watch Strap Co., Inc., and Topps Products Corp. are corporations organized, existing and doing business under and by virtue of the laws of the State of New York with their office and principal place of business located at 930 Newark Avenue, Postal Zone 6, in the city of Jersey City, State of New Jersey.

Respondents Samuel Mandel, Marvin Mandel, Morris Mandel and Eugene Mandel, Marvin Mandel, Morris Mandel and Eugene Mandel are officers of the corporate respondents. They formulated, direct and control the acts and practices of the corporate respondent including the acts and practices hereinafter set forth. Their address is the same as that of the corporate respondents.

2. Respondents are now, and for some time last past have been, engaged inthe offering for sale, sale and distribution of metal expansion watch bands to jobbers, chain stores and other retail stores for resale to the public. Respondents watch bands are sold under the trade name "Topps."

3. In the course and conduct of their business, respondents now cause, and for some time last past have caused, their said product, when sold, to be shipped from their place of business in the State of New Jersey to purchasers located in various other States of the United States and maintain, and at all times mentioned herein have maintained a substantial course of trade in said products, in commerce, as "commerce" is defined in the Federal Trade Commission Act.

4. Respondents import their watch bands from Japan and Hong Kong. After receipt of said watch bands they are packaged or mounted for retail sale by respondents. The packaging and mounting takes various forms depending upon the retail customer outlet. Some of the bands are mounted on individual cards and enclosed in separate cellophane envelopes. These are affixed to large counter display cards and are sold primarily to drug stores and other retailers who utilize this method of offering merchandise to the public. Other bands are packaged in individual containers for sale primarily through chain stores. Some are attached to cards and enclosed in boxes having a clear plastic "window"; others are enclosed in a clear plastic tube with a card inserted; while others are mounted on cards under a clear plastic "bubble". At no place on the packaging, container, or cards is the fact disclosed that respondents' bands are imported from Japan and Hong Kong.

5. The manner of packaging conceals the inside of the band so that the words "Japan" or "Hong Kong," as the case may be, stamped thereon cannot be seen prior to purchase except by destroying or damaging the container or packaging.

6. Stamped into the metal on a link on the inside of respondents' bands is the work "Hong Kong" or "Japan" as the case may be. These words are distinct and constitute adequate notice that the bands are imported, when the bands are removed from the packages.

7. In the absence of an adequate disclosure that a product, including expansion watch bands, is of foreign origin, a substantial segment of the public believes and understands that it is of domestic origin.

8. There are, among the members of the purchasing public, a substantial number who have a preference for products originating in the United States over products originating in foreign countries or foreign places, including expansion watch bands originating in Japan and Hong Kong. There are among the members of the purchasing public substantial numbers of potential purchasers who are not concerned with the country of origin of low-priced watch bands.

9. A substantial number of the members of the purchasing public are willing to pay higher prices for metal expansion bands of domestic origin than for expansion bands made in Japan or Hong Kong. The preference of some consumers who are potential purchasers of respondents' watch bands is a preference as to price and appearance and not as to country of origin.

10. In the conduct of their business, at all times mentioned herein, respondents have been in substantial competition, in commerce, with corporations, firms and individuals in the sale of watch bands of the same general kind and nature as those sold by respondent.

11. The failure of respondents to disclose on the individual packages containing their watch bands, or on the packaging, or cards, that their watch bands are of foreign origin has had, and now has, the tendency and capacity to mislead a substantial segment of the purchasing public into the erroneous and mistaken belief that their watch bands are wholly of domestic manufacture and into the purchase of substantial quantities of respondents' product by reason of said erroneous and mistaken belief. As a consequence thereof, substantial trade in commerce has been, and is being, unfairly diverted to respondents from their competitors and substantial injury has thereby been, and is being, done to competition in commerce.

COMMENTS ON THE FINDINGS

The evidence has indicated considerable difference in public opinion as to the factors buyers take into consideration incident to purchase. A substantial segment of the public appears to prefer American goods over imports for patriotic reasons or because they expect better repair service or guaranties on American manufactured goods. Other substantial segments of the buying public have no preference as regards national origin. On the other hand, a substantial number have a preference as to national origin but would not make this a deciding factor alone if a foreign product had good appearance and quality plus a more favorable price than a product made in the United States. Still others, representative of a substantial segment of the public, would pay more for American products than a foreign product. This public concept indicates competition between low priced imported watch bands and higher priced domestic bands.

Each segment of the public with these varying views appears to be substantial, and it is reasonably conceivable that with economic changes and changes in world events the variability of opinion would be further revised. The importance of full disclosure of the national origin of a product is to enable a purchaser to make a choice premised upon his inclination at the time of purchase regardless of the validity of any reason he may have.

It appears without doubt that there is a very substantial segment of the public, as evidenced, who are desirous of knowing the national origin of a product before choosing to purchase even though they may consider numerous other factors before making their election as to the product they may buy. The mere fact that there is a substantial segment of the public who are disinterested in a product's national origin is inconsequential in determining the issues in this case. Of importance in resolving the issues herein is the fact there is also a substantial segment of the public that is desirous of knowing the national origin of a product as information upon which they predicate in whole, or in part, their election to purchase. It would appear therefore that injunctive relief is justified since, as evidenced, the public assumes a product to be of domestic origin if it is not identified as being of foreign origin. The Commission is not required to establish that the public without exception is desirous of knowing the national origin of the product so that if this information is withheld the practice is a deceptive one. It is sufficient that a substantial segment of the public may reasonably be deceived in the event the national origin of a product is withheld or obscured by packaging as in the instant case.

8544. Binoculars—Manufacture or Preparation, Foreign Origin.—Edmund Scientific Corp., a New Jersey corporation, with its principal place of business in Barrington, N.J., and Norman W. Edmund and Pauline A. Edmund, officers thereof, engaged in conducting a mail order business, in commerce, through which they offer for sale and sell binoculars, entered into an agreement that in connection with the offering for sale, sale and distribution of binoculars, they and each of them will cease and desist:

(1) From representing directly or by implication that all internal optical surfaces are coated when some of such surfaces are not coated.

And further, with respect to binoculars imported from Japan or any other foreign country and sold by mail, they and each of them will cease and desist:

(2) From failing to disclose clearly in all advertising the country or origin of such products. (5420253, July 28, 1954.)

Senator KASTEN. I would like to first of all thank you for your statement and just ask one brief question.

It is my understanding that this bill will particularly help with enforcement of U.S. trade agreements concerning textiles. I wonder if you could comment briefly on that.

Senator THURMOND. Well, foreign textile and apparel products oftentimes place their country of origin labels in inconspicuous places, thwarting U.S. Customs officials in their attempt to determine how much imported textile goods are being sent to America. Some foreign producers leave off labels altogether, in an effort to exceed their import limits.

Senator KASTEN. So in this way, we would be better able to enforce the already existing trade agreements. This measure is not an attempt to change any existing trade agreements. It is simply to provide for stronger enforcement; is that correct?

Senator THURMOND. That is correct. That would have to come in other legislation or other agreements. This is something to which I don't think anybody could be opposed, and I hope this bill that Senator Hollings and I have introduced can be expedited as soon as possible.

Senator KASTEN. Senator Hollings.

Senator HOLLINGS. Senator Thurmond, thank you very much. Of course I commend you on your interest.

Let me go down a couple of things that come to mind. For one thing, the question: Would they really favor this bill? I go back to over 30 years ago, just before you were a Senator. I was running for Lieutenant Governor. The chairman of the House Foreign Affairs Committee was the Honorable Dick Richards from South Carolina and it was on this very point that he got beat. We were being inundated by Japanese textiles.

I will never forget one of the meetings I went to in Greenville and we all deplored the fact that these foreign imports were coming in and destroying American jobs. Then we went back down into the parking lot and they all drove away in their Mercedes. I remembered what our friend Will Rogers said years ago on solving the traffic problem: "If we only kept off the highways the cars that were not paid for, we could solve the traffic problem." I think we have another way. If we could have just American cars, we could solve the traffic problem.

I was being briefed by the staff, and I was having a difficult time finding staff in an American car yesterday.

You say the surveys show that our people favor American made products. I think we are way past that point. As you and I both know, the 1965 law already requires labeling. In fact, and I am looking at it right here, there are all kinds of penalties and so on with respect to the required labeling of the foreign product.

If this is on the one hand, an assist to our friends at the ILGWU—I like their advertisement, "Look for the union label"—if we are going to try to help that particular advertising program, that suits me. I favor that.

If we are trying to develop a "Buy America" kind of concept in this international competition, I would favor that, because you and I are in politics and we can't afford to drive off in those Mercedes-Benz like the others can. You and I are very much aware of it.

But what really distresses me is that even if we could pass this bill in the next 10 minutes, what really is at issue is the adminis-

tration failure to enforce the laws we have now. Why should we expect that they will enforce this one? Candidate Reagan committed to you in 1980 that he was going to hold the growth of imports to the growth of the domestic market. That would have given us a $5.8 billion textile-apparel trade deficit last year. Instead we ended up with a $10.6 billion shortfall.

The industry seated behind you estimates that we lost 150,000 textile jobs last year. You and I were both home last week. We know three more mills have closed. And it is not because of our workers' failure to be competitive or productive. The industry actually has enjoyed a 4-percent increase in productivity in recent years. It has modernized. You and I have been in the plants where years back, there would be 150 in the weave room and there are less than 12 there now. Our plants are mechanized, electronically controlled and able to compete at home and overseas, too—if the terms of trade are fair.

It gets down to the point of whether or not we are going to maintain America's standard of living. I can buy a shirt in Shanghai made with labor working for 18 cents an hour. I go to the mill here—Mr. Martin's plant in North Carolina or Bubby McKissick's in South Carolina, and you and I require a minimum wage. We require clean air, clean water, occupational safety and health, product liability, Social Security, unemployment compensation. And it all goes into our standard of living.

And what I see in this Congress, and I see particularly in this administration, as in others, is a total unawareness with respect to the position of American international competition. We are up in grandstands caterwauling: "Watch out, protectionism, protectionism is a bad thing; you are going to start a trade war." And down on the field, the trade war has been going on for about 15 or 20 years. It is in the fourth quarter, and we have just about lost it. It is not just textiles.

Shoes. I heard a colleague speaking on the floor last week—70 percent of the shoes bought here are foreign imports. Automobiles, steel, computers, semiconductors, the list goes on.

If Thurmond and Hollings wanted to go in and form a business, $20 million, and we went to banker Kasten and we asked for financing, he would look and say that is a good product and you can have the $20 million, you can get your money out in about 10 years, but the market will be developed in about 3 years and someone can go over the line into Juarez, Mexico and come back in and in a 2-year period copper that market away from you at 20 percent of the cost. We had better make this a 5-year loan.

You and I would look at the banker and say there is no way to get the money out in a 5-year period. So why even debate it? Let's go on down to Mexico now. GE has four plants there. So General Motors has 11 plants there. So RCA has plants here.

We are in a bare-knuckle, no-holds-barred, bottom-line competition and we had better get into the game and compete before America goes out of business. This bill is a bandaid, I called it small potatoes, because it doesn't really go to the heart of the matter. We don't have a trade policy in this country. The tail has been wagging the dog for years on end with the State Department calling the shots.

And I am absolutely persuaded now that this academic crowd, plus the multinationals in New York, are totally off base. I have had to debate them, and that is why I get enthused talking about it. I have been up on those Harvard, Brandeis campuses and seen these so-called trade "experts," listened to them all while we go out of business and while we export the American standard of living.

If the administration would only enforce the commitment they made to you, Senator Thurmond, we would be slightly at a $5.8 billion deficit, not the present $10.6 billion. We go to the White House and they reaffirm their commitment and we go back home and say things are getting better and we are fighting for textiles and jobs. And then three more mills close down. We are going out of business.

I just don't want to mislead our constituents—I know you don't want to either—with a labeling bill. It might develop, but it is going to do very, very little because the present law is not being enforced. I don't know that they will enforce this one. They will keep it in court for the next 2 or 3 years and by that time, the industry will be gone.

I hate to be down in the mouth about it, but I am afraid I am factually accurate. You can comment. I am not criticizing you because you and I have worked with every one of these administrations. We had to force-feed the Carter-Mondale administration. Don't you remember we stayed up 2 nights and 2 days in a row with the Carson City Silver Dollar bill until we got a "White Paper" from them. Every administration that comes along, we have to force-feed them.

I would be glad to hear your comment.

Senator THURMOND. Oh, thank you very much.

Well, Senator, I think you feel very much like I do. I am sure you feel frustrated at times about this subject. In our State, the textile employment is about 48 percent of all industrial employment in the State, and it is extremely important.

I remember when I first came to the Senate in January 1955. Ever since then, this has been a chore that we have tried to solve. In 1958, Senator Pastore was Chairman of the Textile Subcommittee of the Commerce Committee, of which I was a member. We held hearings up in Maine, in New Hampshire, Connecticut, New York and on down in Clemson, North Carolina and other places. Even back then, it was a problem. It looks like the people in the State Department and those engaged in trade were just determined to let the imports come in here on an excessive scale.

And all down through the years, I have fought this problem and done everything I could to resolve it. And unfortunately, it looks like some people, especially in the State Department, are willing to bend over to do most anything to appease other countries.

Now why, it is very difficult for me to understand. But as you stated, regardless of who was in power or what administration was in power, it has been a fight all these years. And we just have to keep on. We can't give up. We may have to try to get through some legislation that will just mandate it by law.

I have been to the White House numbers of times. I have talked to President Reagan. I have heard him tell the people there to carry out this commitment he made to me that you referred to.

Then it gets down to the State Department, the trade people and others, and it seems that the action is not taken that the President wants taken.

It is very difficult to solve this problem, but we will keep on. We will keep on working on it, whether it is a Republican administration or a Democratic administration. I think we must continue our efforts. There is too much at stake here. There are too many jobs at stake.

Now some people feel well, you have to have free trade. That is being advocated by so many people in this country. It is not free trade we need; it is fair trade. And we are not getting fair trade. We haven't gotten it since I have been in the Senate. But as I say, we can't just throw up our hands. We have to keep on and do the best we can.

Senator HOLLINGS. Thank you, Mr. Chairman.

Senator KASTEN. Thank you, Senator, and thank you, Senator Thurmond, for your comments. We appreciate your appearing before the committee and we will move forward with this hearing and then hopefully work with your legislation.

Senator THURMOND. Thank you very much. I might add this, that the textile leaders in the country do feel that this bill will be of some benefit. As Senator Hollings says, it is not a cure-all at all, but it will help some, we think. They think so. And we do think that the quicker we can act on it, the more benefit we will get from it.

Thank you very much.

Senator HOLLINGS. I think this is a matter of record, Senator Thurmond. You and I would be interested in two things. One, let's look at the textile leaders and we will examine those leaders and try to furnish for the record how many of them have American cars as opposed to foreign cars they can drive away in, and how many of those textile leaders have foreign operations.

You and I go back 25 years ago. I will never forget. I think it was Mr. Morris of Blue Bell. I got with Hickman Price. I came in as Governor and testified before the then Tariff Commission. I was told by Charlie Daniels, don't worry about it, we will go over to see the chief.

We went over to the White House and Jerry Persons ushered us into President Eisenhower, the chief, and we were going to win the case. We lost it, and that is when I went to then Senator Kennedy. We exchanged letters with Hickman Price in that administration and got a commitment. We set up the hearings at that particular time. And one of the big textile owners finally came to us and said: I can't stand it any longer. I just had to move offshore in order to compete.

We are all talking about the American label and everything else like that, but I would like to get a list from Mr. Shockley of the American Textile Manufacturers Institute—how many of those industries you represent are operating overseas?

Mr. SHOCKLEY. Not many, Senator. Very few, very few. Not more than three or four. And their operations are strictly for the overseas market.

Senator HOLLINGS. I am just trying to get them all to hold on here. I received a Christmas present from one of them. I looked at it and it said "Made in the Philippines."

Senator KASTEN. Thank you, Senator Thurmond.

Senator THURMOND. Thank you very much.

Senator KASTEN. Our next witnesses are going to appear as a panel. Mr. Martin, Mr. Daniels, Mr. Martin, Mr. Carlisle, Mr. Shelton, and Mr. Finley. We are pleased to have you gentlemen with us this morning. As I believe you are aware, we are going to ask that you limit your statements to 5 minutes each. The complete text of your statement will appear in the record. We will begin with Mr. James Martin, president of the American Textile Manufacturers Institute.

STATEMENTS OF JAMES H. MARTIN, JR., PRESIDENT, AMERICAN TEXTILE MANUFACTURERS INSTITUTE; WILBUR DANIELS, EXECUTIVE VICE PRESIDENT, INTERNATIONAL LADIES' GARMENT WORKERS' UNION; L. SYKES MARTIN, CHAIRMAN, PRODUCERS STEERING COMMITTEE, NATIONAL COTTON COUNCIL; CHARLES R. CARLISLE, PRESIDENT, MAN-MADE FIBER PRODUCERS ASSOCIATION; LARRY B. SHELTON, AMERICAN APPAREL MANUFACTURERS ASSOCIATION; AND MURRAY H. FINLEY, PRESIDENT, AMALGAMATED CLOTHING & TEXTILE WORKERS UNION

Mr. JAMES MARTIN. Thank you, Mr. Chairman. I am going to be much briefer than I would have been because a great deal of what I was going to say has already been said, thanks to Senator Thurmond and Senator Hollings, and I mean that sincerely.

My name is Jim Martin and I am chairman and chief executive officer of Ti-Caro, Inc., a North Carolina corporation, and president of the American Textile Manufacturers Institute. I thank you for the opportunity to present comments on S. 1816.

More importantly, joining me in testifying today are Murray H. Finley, president of the Amalgamated Clothing & Textile Workers Union; Wilbur Daniels, executive vice president of the International Ladies' Garment Workers' Union; Larry B. Shelton, second vice president of the American Apparel Manufacturers Association; Sykes Martin, Producer Steering Committee chairman, National Cotton Council; and Charles R. Carlisle, the executive vice president of the Man-Made Fiber Producers Association.

We are appearing on behalf of the American Fiber/Textile/Apparel Coalition, AFTAC, which is a national coalition of the U.S. domestic fiber, textile and apparel complex, including two trade unions. This panel, Mr. Chairman, represents 20 organizations, including wool growers, work glove manufacturers and many others. And we would like the full listing to be made as part of this hearing record.

You have heard the problems that we are having with imports, and I will not go into that. Last July, here in Washington, we kicked off a new program called Crafted with Pride in the U.S.A. This program is unique, and the idea behind it is to make the American public more aware of the apparel and textile products that are manufactured in the United States.

I think I can cover a lot of territory by saying that the group that is represented here are sincerely interested in protecting American jobs, and I don't want any of us to overlook that.

The problems we are having and the loopholes that must be closed are as follows. The country of origin labels on imported garments are being concealed in the garments. Current law requires that garments carry a country of origin label. And although the Federal trade regulations require that the label be attached in a "clear and conspicuous manner," this requirement is not in the law itself, and abuses are occurring. We brought you some examples of what we mean.

There is no requirement under the current law that a product be identified as made in the U.S.A. And in connection with our Crafted with Pride Program, we very much need that law requires that the label Made in U.S.A. be sewn into the garment. And there is no way of distinguishing the import from an American made product when the American made product is not required to be labeled.

There is no requirement under current law that the country of origin be identified in catalog and other advertisements. Catalog sales are growing. As an aside, yesterday before I left my home in Gastonia, N.C., we had gotten 12 new catalogs at my house, and that made up a total of 40 in 2 weeks.

These sales are now being made without the consumer knowing the country of origin of the product until after they buy it and receive it. We have brought some catalogs for you, that is if you don't receive any at home. If you look at them, you will see that the customer has no way of telling whether the product is imported or not.

Current law does not require country of origin labeling on individual imported goods when they are sold in bulk form. Too often, however, these products are being resold at retail counters and the consumer is unaware that they are being imported.

S. 1816 amends the Textile Fiber Products Identification Act, the Tariff Act of 1930 and the Wool Products Labeling Act of 1939 to remedy all these problems. It does so in a direct and straightforward way. S. 1816 will enable the U.S. consumer to make a clear and conscious choice between a textile product made in the United States and imports. It will prevent abuse of current labeling law, and it does not pose any burden on legitimate United States or foreign businesses.

There is no good reason to oppose this bill, and there is a very good reason to support it. The consumers in this country have a right to know what is being sold to them. They have a right to know where a textile product is made. The men and women in my industry believe that when the choice is clear, there will be a preference for quality products made in the United States. With this legislation, we are putting that conviction on the line. With the Crafted with Pride Program, we are putting our money into it.

We believe that clear labeling will not only help the consumer, but that a knowledgeable consumer will help our industry regain ground which has been lost to imports. This, Mr. Chairman, will help save jobs for American textile workers.

Senator KASTEN. Mr. Martin, we would ask you to summarize your statement. Your 5 minutes has expired.

Mr. JAMES MARTIN. Thank you, sir. I would like now to not summarize, Mr. Chairman, but introduce Mr. Murray Finley of the Amalgamated Clothing and Textile Workers Union.

[The statement follows:]

STATEMENT OF JAMES H. MARTIN, JR., ON BEHALF OF THE AMERICAN FIBER/TEXTILE/APPAREL COALITION

My name is Jim Martin. I am Chairman and Chief Executive Officer of Ti-Caro Inc., and President of the American Textile Manufacturers Institute (ATMI). I want to thank you for the opportunity to present comments on S. 1816. With me today are Wilbur Daniels, Executive Vice President, International Ladies' Garment Workers' Union; G. P. Elden, President, Man-Made Fiber Producers Association; Larry B. Shelton, Second Vice Chairman, American Apparel Manufacturers Association; and Sykes Martin, Producer Steering Committee Chairman, National Cotton Council. We are appearing on behalf of the American Fiber/Textile/Apparel Coalition (AFTAC) which is a national coalition of the U.S. domestic fiber, textile and apparel complex including two labor unions. Members of the group are located throughout the United States and produce most of the textiles and apparel items in this country.

S. 1816 is very important to both the textile industry and the consumers of the United States. The objective of this bill is to provide the consumer with clear information on the origin of the textile product he is considering buying. We believe, and surveys have shown, that American consumers want to buy quality textile products made in the USA. The passage of S. 1816 will give tham a clear choice. It will also help us with out "Crafted with Pride in USA" program which was launched here in Washington last July. With the "Crafted" program, we are putting dollars behind our belief that consumers want U.S.-made goods. Unless U.S. goods are labelled "Made in U.S.A.", these efforts to promote our products will not succeed.

As you know, Mr. Chairman, the textile and apparel industries of this country have seen their markets badly disrupted by imports over the last several years. Last year, a year in which our economy began to recover from a long severe recession, imports took the lion's share of the increase in demand. Imports of textiles and textile products rose 25% from 5.9 billion square yard equivalents to 7.4 billion in 1983. The apparel sector of the U.S. industry has been devastated by the imports. The import to production ratio in apparel and apparel fabrics reached 44 percent in 1983 versus 40 percent in 1982 and only 29 percent five years earlier.

The problem is not getting any better. In fact, it is getting worse. Imports in January 1984 set a new record. They were higher than any month since the U.S. textile program has kept records. Then the February import data came in. Another *new* record was set. And in both January and February, the imports were concentrated in apparel and apparel fabrics. In five of the last six months new import records were set. If this import trend continues through 1984 imports will reach 10.9 billion square yards. This means in the four years of this Administration imports will have more than doubled—from 4.9 billion square yards in 1980 to 10.9 billion square yards in 1984.

S. 1816, the labelling legislation before us, is not a cure for our problems. But we believe it will help us because it will give American consumers the opportunity to choose American-made products. It will help the American consumer to make that choice by guaranteeing clear labelling of textile products. The consumer has a right to know what he or she is buying and where the product was made.

Mr. Chairman, I believe that most people in this country want to support the American textile and apparel industry. I believe that the awareness of the import problem has grown to the point where Americans want to buy quality products made in the U.S.A.—not imports. And I believe that when the working men and women of this country buy a textile product, they have a right to know whether that product is made in the United States or is made in Hong Kong, Taiwan, Korea, Sri Lanka or any other foreign country.

Right now, Americans are denied this right to know. There labeling laws that apply to textile products have loopholes in them that must be closed. The problems are:

Country of origin labels on imported garments are being concealed in the garments. Current law requires that garments carry a country of origin label. Although the Federal Trade Regulations require that the label be attached in a "clear and conspicuous manner", this requirement is not in the law itself and abuses are occurring. We brought you some examples of what we mean.

There is no requirement under current law that a product be identified as made in the U.S.A. This means that when an import label is concealed in a seam of the garment, and the consumer doesn't see the label, there is no way of distinguishing the import from an American-made product.

There is no requirement under current law that the country of origin be identified in catalogues and other advertisements. Catalogue sales are growing. These sales are now made without the consumer knowing the country of origin of the product until after they buy it. We have brought some catalogues for you. If you look at them, you will see that the customer has no way of telling whether the product is imported or not.

Current law does not require country-of-origin labelling on individual imported goods when they are sold in bulk form. Too often, however, these products are being resold at retail counters and the consumer is unaware that they are imported.

S. 1816 amends the Textile Fiber Products Identification Act, the Tariff Act of 1930, and the Wool Products Labelling Act of 1939 to remedy all these problems. It does so in a direct and straightforward way. S. 1816 will enable the U.S. consumer to make a clear and conscious choice between a textile product made in the U.S.A. and imports. It will prevent abuse of current labelling laws. And it does not pose any burden on legitimate U.S. or foreign businesses.

There is no good reason to oppose this bill and there is a very good reason to support it. The consumers in this country have a right to know what is being sold to them. They have a right to know where a textile product is made. The men and women in my industry believe that, when the choice is clear, there will be a preference for quality products made in the U.S.A. With this legislation, we are putting that conviction on the line. With the "Crafted with Pride" program, we are putting our money into it. We believe that clear labelling will not only help the consumer, but that a knowledgeable consumer will help our industry regain ground which has been lost to imports. This, Mr. Chairman, will help save jobs for American textile workers.

Thank you. I would like now to introduce the next member of our panel, Wilbur Daniels, Executive Vice President, International Ladies' Garment Workers' Union.

[The following information was subsequently received for the record:]

QUESTIONS OF SENATOR KASTEN AND THE ANSWERS THERETO

Question. Assuming S. 1816 were passed and signed today, how long would apparel manufacturers need to implement the labeling requirements?

Answer. In our view it would require 90 days.

Question. Are either businesses or consumers likely to incur any significant additional costs as a result of S. 1816?

Answer. No significant additional costs are likely to incur due to passage of this legislation.

QUESTIONS OF THE MINORITY AND THE ANSWERS THERETO

Question. Can the textile apparel industry voluntarily label goods "Made in U.S.A."?

Answer. Yes, the industry can voluntarily label goods made in U.S.A. However, this has not been done universally due to the natural reluctance of businessmen to change their way of producing goods. Also, there are too many smaller companies that have not been aware of the need to label their products in this manner.

Question. What do you blame for the record textile trade deficits of the last three years?

Answer. We attribute over half of the increase in the textile and apparel trade deficit to the high value of the dollar. Imports have risen dramatically due to the combined effect of the high dollar, the business cycle, and the long term upward import trend. Exports have declined solely due to the dollar.

Question. Can you provide the Committee with a list of U.S. textile companies with foreign subsidiaries, foreign plants or other foreign operations?

Answer. ATMI does not require this information from its member companies. The only companies what we know have foreign operations are: Burlington Industries, WestPoint Pepperell, and Russell Corporation. However, except in the case of 807 operations, these overseas facilities have been established in order to sell into for-

eign markets where U.S. exports have encountered tariff and non-tariff trade barriers.

QUESTION OF SENATOR THURMOND AND THE ANSWER THERETO

Question. The Committee has been contacted by the hosiery manufacturers who have asked that hosiery be excluded from the provisions of Section 3 and Section 8(c) of the bill due to the unique packaging of hosiery. These sections, as you know, would require that the textile product as well as the package be labeled as to country of origin. Do you see any problems with this exclusion?

Answer. No, in fact we would recommend such an exclusion due to unique packaging of hosiery.

Senator KASTEN. Mr. Finley.

Mr. FINLEY. Thank you, Mr. Chairman. I am Murray H. Finley, president of the Amalgamated Clothing & Textile Workers Union. I drive a Buick. It is made in my hometown of Flint, MI. Everybody on our staff drives American made cars, by choice. The choice is if they don't, they don't get a car.

I have a prepared statement but I am not going to read it or go over it because as Mr. Martin said, I think both Senators Thurmond and Hollings in a sense summarized very much the points that I would make in my own formal presentation. But let me make a couple of observations.

As was said, there are 2 million American men and women engaged in the textile apparel industry in this country, another 1 million who are involved in an integral part, whether they come from the cotton growers to the distributors to the truck drivers and so on. So you have 3 million Americans who are dependent upon this industry.

I probably have been in as many textile apparel plants as anybody in this country. I have traveled extensively in the Carolinas. I just came back from Georgia and Alabama. And I can tell you that there are no harder workers in the world than the American textile apparel worker. And I have been in the plants in the Far East and I have seen the pace that they go under. This is not an issue of the how hard a worker works. It is not a question of skill because an American worker will compare more than favorably with any worker in the world in textile and apparel.

And it is not a question of an industry that is willing to invest. As Senator Hollings mentioned, or Senator Thurmond, if you look over the record of the growth of productivity, both in textile and apparel, the American industry is ahead of the rest of U.S. manufacturing.

So now we have an industry that is vital, that is functioning, that is hard-working, with decent people trying to make a living in this country. And they have a sincere problem. Problem one is obviously the issue of imports and low wage competition from around the world.

So what is it we are now talking about here? We are not talking here about changing the laws on imports. We are not talking even about enforcement, although I agree totally with Senator Hollings that the bills and the treaties should have been and should be enforced more effectively. We are talking about the right of a consumer to know what he or she is buying when they go to the store or they go to a catalog.

My members say to me, we want to buy an American made product. We get a catalog and we see a product that we like. We see a garment that we like. And by God, we can't tell if it is made in the United States or made in Singapore or made in Hong Kong or Taiwan or Sri Lanka because it doesn't say it.

Or we see an advertisement in the paper and it doesn't say what. We say that is a beautiful dress or that is a beautiful shirt, and we go in that store. We have taken the trouble, we have parked our car. We go in and by God, we find the product is made in some foreign country and we are kind of conned. We have put in the investment in time and money and we have sort of brought into it unfairly.

We say this is a bill that will not save the industry, we agree, but we have to take every effort we can to do for the industry and to do for the consumer. This is a bill for fairness for the American consumer.

You know, we hear about the consumer sort of being left out of this. This is a bill on behalf of consumers in this country that when they are asked to buy a product, at least those who sell that product should say buy a product that is made in the United States; buy a product that is made in the Peoples Republic of China—you have the choice, but we are willing to tell you where it is made.

I wonder, those who oppose it, are they trying to hide from the consumer? Is it a question of trying to mask it? It is a question of maybe fooling the consumer?

It is a simple type of thing to say we bring fairness and knowledge into the marketplace. It is as simple as that. Then if the consumer says well, I prefer the Peoples Republic of China, that is the consumer's right and choice. I don't think it will happen, Mr. Chairman. I am positive when the consumer knows, when they see the ad, when they see the catalog, when they hear it on the radio and TV, they will make the choice, and I am positive you will see a heavy leaning toward made in this country because they understand what it means; they understand the pride that it takes of an American worker, the healthy workplace they work in.

So I say this is a simple bill. It is a very simple bill where you put forth openness and knowledge and you protect the consumer when they make their marketing choice. Thank you, Mr. Chairman.

[The statement follows:]

STATEMENT OF MURRAY H. FINLEY, PRESIDENT, AMALGAMATED CLOTHING & TEXTILE WORKERS UNION

Chairman Kasten and members of the subcommittee, I am Murray H. Finley, President of the Amalgamated Clothing & Textile Worker Union.

The great majority of the Amalgamated's members work in the apparel and textile industry and their livelihood and well-being are tied inexorably to the strength and well-being of that domestic industry in the United States.

Textiles and apparel manufacturing is the third largest industrial segment of our economy. It is the largest nondurable goods industry. It employs nearly 2,000,000 American workers who are mainly women, heavily minority, largely rural.

The fact that six chief or top executive officers of the major industry associations and the two unions principally involved appear before you today makes evident how vital we feel this legislation to be.

We are convinced that requiring the indentification of country of origin, including the United States on a product and in advertisements for that product, will increase

sales for American business and jobs for some of the 8.5 million unemployed American workers.

My colleagues today and the many others who have appeared previously have clearly set forth the imports problems this industry faces and the major improvements necessary in our bilateral quota agreements. But to continually complain about imports, to constantly fight to preserve the job security of the workers in the apparel and textile industries is, in my judgement, not enough. We must do two other things. We, labor and management, have a responsibility to our country, to employers, to employees, to union members and to stockholders to help make the industry efficient and competitive. We have a responsibility to educate retailers and consumers to the ultimate consequences of their buying decisions. We must make them aware of the origin of a product's production, the effect on American jobs of their buying foreign-made goods, and encourage them to purchase from domestic manufacturers.

On the first of these items, the industry together with the unions, have more than met their responsibility. The textile industry has made the greatest improvements in productivity over the past decade of any American manufacturing industry. It was the existence of the quota program and its assurance of a secure market that provided the needed incentive for the industry to make the enormous investments in new machinery and equipment which resulted in that great productivity improvement.

On the apparel side, the Amalgamated Clothing and Textile Workers Union took the initiative to set up and fund a joint research and development project along with several major apparel, textile and fiber companies, union and non-union, to seek an entirely new and innovative approach to apparel production. We knew that even as skilled and as productive as American labor is, our workers cannot compete with foreign workers earning as little as a tenth of our nation's legal minimum wage. The Commerce Department, recognizing this problem, is also a partner in this effort which has just produced its first and dramatic piece of equipment. For the very first time in history, a tailored item—a three dimentional shaped form conforming piece of clothing—can be produced in a totally automated manner.

So far in its development, this new equipment can "tailor" the sleeve of a man's suit jacket. We know that with the proper modifications, it can also produce a major portion of the rest of the suit.

This prototype equipment, if made in quantity, can assure that the American textile and apparel industry can compete in world markets, if given a fair chance to do so. If this program can obtain sufficient resources, a restriction on burgeoning apparel imports and further consumer awareness of the importance of buying American-made products, this program can go a long way to overcome the great cost differentials in production overseas, versus domestically made clothing.

Part of making this program successful is increasing the awareness of the American buying public of where textiles and apparel are produced so that consumers can make an informed buying decision. Others have spoken of the "Crafted with Pride in America" campaign. It is an important part of our overall efforts to enhance domestic competitiveness. But it, and the legislation you are considering today, must be more than just increasing retailer and consumer information and buying attention. We must at the same time ward off a totally protectionist closed-market approach which many concerned workers and employers are clamoring for today.

The Customs Department has recently stepped up significantly its inspection and detection of import fraud. They have named it "Operation Tripwire" and it has shown a remarkable amount of mislabeling, counterfeiting" and quota evasion is occurring. This legislation will give further necessary legal tools to the government to prosecute those who seek to defraud the consumer.

The MFA, the efforts of the domestic industry to be the most efficient in the world, and the consumer education campaign all fit together in trying to stabilize the overall import situation.

The hundreds of thousands of textile and apparel workers who have lost their jobs in the past decade, many of whom were members of the Amalgamated Clothing and Textile Workers Union, do not understand why they were asked to sacrifice their jobs in an economic war with other countries. They understand, if others do not, the tragic human costs of unregulated competition.

Our industry, tempered as we are in the fires of experience, asks not a total freeze or halt to imports. Our industry wants, and I think you will agree it deserves, breathing space, time to address the import challenge before we become faced with extreme and radical demands for relief, which will require attention. I urge the Committee to understand and help in this effort. I urge the Committee to add a

simple, inexpensive item for consumer awareness and education which will pay much greater returns in the overall effort to stabilize the import situation.

Senator KASTEN. Mr. Finley, thank you very much. Our next witness will be Mr. Wilbur Daniels, the executive vice president of the International Ladies' Garment Workers' Union. Mr. Daniels.

Mr. DANIELS. Thank you, Senator. My name is Wilbur Daniels. I am executive vice president of the ILGWU and I do appreciate this opportunity on behalf of our 270,000 members employed in the women's and children's apparel industry to express our support of the bill.

In today's marketplace the consumer is confronted with an almost infinite variety of choices—colors, fabrics, styles, marketing practices, quality, price ranges. And many of those aspects that the consumer has to use in making a decision are self-evident, and other aspects that the consumer might want to know are not that evident. And one of these is whether or not an item is actually made in the U.S.A.

Now today, information on foreign origin and fabric content, garment care instructions, flammability and so on, must be provided. We contend that changed circumstances and the experience we have had, the industry, the consumer, government has had in the last decade or so, require changes, the very changes that are proposed in the bill, to provide the consumer with basic information, added to the information on style, color, fabric, and price.

Now let me tell you at the outset that we practice what we preach. Use of the ILGWU union-made label has been one of our cherished traditions for many decades in our union's very long history. Then as now, the union label has symbolized decent labor standards and fair wages, and it says so by a very simple statement. It says so, as this label indicates, "Made in U.S.A.," right at the bottom in big red and white letters, "Made in U.S.A." It says on its face that the product that bears that label was made in the U.S.A. It is our country of origin label.

Our members "Look for the Union Label" song, which incidentally, Senator Hollings, you sang in much better voice than I could command, reminds us to always look for the union label. It says we are able to make it in the U.S.A. Now that campaign and the song have become part of American folklore. We have put our money where our mouth is. We have it on television, on radio, in magazines and newspapers, on billboards, at country fairs, all through the country, so that the "Made in U.S.A." on the union label is now instantly recognizable across the country.

But we would be the first to confess that our union's efforts have to be complemented by improved labeling requirements for all garments. Recognition is growing among American consumers of their desire and their need and their willingness to purchase "Made in U.S.A." garments if they know they are made in the U.S.A.

We have referred to Kitty Dickerson, Professor Dickerson, by Newsweek, by Roper. All of them underline the consumer interest in American-made goods. And yet when we go out into the stores, we find that present labeling requirements defeat that interest.

We did a short survey last week at a clothing store right near our national headquarters. We found the following. There are garments that say California Sportswear, U.S.A. Punkwear, U.S.A.

Sportswear, and so on. Those are trade names. They will use Sun Valley Sportswear, and so on. And the consumer who looks at that will think gee, that is an American made garment, and it isn't. If you look very hard, in back of one of the seams, you find that U.S.A. Punkwear was actually made in the Orient.

Similarly, there are many garments that carry widely known American brandnames, or we thought they were American brandnames. They are brandnames that have existed for decades and we think of them as as American as apple pie. In fact, the brandnames are American, but those garments were made in foreign sweatshops. And again the consumer is misled.

We found, too, in our surveys, that the country of origin labels, which are now required by law if they are foreign made, are hard to find. Some appear on the back of a label. Some are very, very hard to find. Under these circumstances, we submit that the American consumer, let alone the American worker, is entitled to know that the garment she buys is made in the U.S.A., as she now should be entitled to know that it was made abroad.

We believe that as purchases are made in catalogues, the American consumer is entitled to know that, too. We would, of course, prefer that all garments carry a union made in U.S.A. label, and we are working hard on that, but in the meantime, in the interest of furthering consumer awareness, we give our strong support and urge your strong support to this measure.

[The statement follows:]

STATEMENT OF WILBUR DANIELS, EXECUTIVE VICE PRESIDENT, INTERNATIONAL LADIES' GARMENT WORKERS' UNION

My name is Wilbur Daniels. I am the Executive Vice President of the International Ladies' Garment Workers' Union. I appreciate this opportunity to appear on behalf of our 270,000 members employed in the women's and children's apparel industry.

Last year personal consumption expenditures on apparel in the United States totaled $104 billion. In today's marketplace, the consumer is confronted with a seemingly infinite variety of styles, colors, fabrics, marketing practices, and quality and price ranges. Many aspects of the buying decision are readily apparent and are properly the domain of individual consumer tastes. Other aspects of a garment important in shaping a buyer's decision, however, are not so immediately or easily discernible, even by the most discriminating consumer. One of these is whether or not an item was made in the U.S.A.

Information on foreign country of origin, fabric content, garment care instructions, and such characteristics as flammability must be provided through labeling. Congress and the Executive have recognized the importance of requiring such labeling information in establishing measures like the Textile Fiber, Fur and Wool Products Labeling Acts, the Flammable Fabrics Act, and under the Federal Trade Commission Act, care labeling rules for wearing apparel. Foreign country of origin labeling is required under the Tariff Act. These are essential public policy instruments to guard against misbranding or deceptive practices and to ensure truthful and informative labeling.

Changed circumstances and accumulated experience now make it very apparent that some modification in the Texitle Fiber and Wool Labeling Acts is warranted. Monumental levels of apparel and textile imports and confusing country of origin labeling practices necessitate revision along the lines of S. 1816 in order to provide the consumer with the basic information to which she is entitled when she makes a decision to buy or not to buy.

Use of the ILGWU union-made label has been an integral and cherished part of our union's long history. In the early years of the century when disease and exploitative conditions were rampant in tenement sweatshops, the ILGWU label assured the consumer that the garment was produced under sanitary conditions. Then and now, the union label has symbolized decent labor standards and fair wages—the

best obtainable by workers anywhere. It says so by its simple statement: "Made in U.S.A." and it says so clearly and specifically. It says on its face that the apparel which bears the label is "Made in U.S.A." It is our country of origin label—"Made in U.S.A".

Our members, "Look for the Union Label" campaign and their song—which reminds us to "always look for the union label, it says we're able to make it in the U.S.A"—have become part of American folklore. Through television and radio commercials, newspapers, magazine, transit and billboard advertisements and promotional efforts at conventions, county fairs and community gatherings of all kinds, the label campaign has made the union's logo and its reminder, "Made in U.S.A." instantly recognizable across the entire country.

We strive to ensure that all union-made garments carry that label. We also work with our employers to standardize the placement of the label on the garment in order to maximize visibility and aid in consumer perception.

Given the relentless waves of apparel imports reaching our shores—imported garments claimed over 51 percent of the U.S. market for women's and children's apparel in 1983—we have also used our label campaign to promote the high quality of American-made apparel. As symbols of American jobs and income, the ILGWU label and that of our sister union, the Amalgamated Clothing and Textile Workers Union, have been of great service in informing American consumers who are concerned about the impact of imports that the apparel bearing these labels are made here.

Yet, our union's efforts must be complemented by improved labeling requirements for all garments, imported ones as well as those manufactured in the U.S. Recognition is growing that many American consumers prefer American-made goods and are concerned about the impact of imports on domestic jobs. An extensive survey conducted in the early 1980s by Dr. Kitty Dickerson of the University of Missouri demonstrated the broad interest of American consumers in seeking out and purchasing American-made apparel. Three out of every five respondents in that survey considered it important that clothing be American-made, and 57 percent indicated that concern for domestic jobs was an influence in determining what clothing to buy.

A Newsweek poll conducted last spring by the Gallup Organization found that 75 percent of Americans believed American-made apparel was superior in quality to imported garments. That poll also indicated that if quality and price were the same, 94 percent would choose an American-made item over an imported one. According to the Roper Organization, there is overwhelming sentiment that identification as "Made in the U.S.A." conveys high quality. These survey results document consumer interest in American-made goods. Prevailing conditions, however, inhibit consumer awareness of a product's country of origin.

In view of the high degree of apparel and textile import penetration, the proliferation of questionable labeling practices and the desire of the American consumer to buy American-made products, S. 1816 provides a timely remedy. At present, apparel and textile products manufactured in the U.S. are not required to be labeled as American-made. Moreover, the varied and often devious placement of country of origin labels for imported garments results in widespread confusion. A garment with an inconspicuously placed label is often mistaken for an American-made article.

S. 1816 addresses these problems by requiring: (1) that products made in the U.S.A. be so identified; and, (2) that country of origin labels be placed in the most conspicuous position on the inside of a garment unless affixed to the outer side.

A sampling of a few common labeling practices demonstrates the need for this legislation. At a clothing store near our national office in New York City we found the following:

Garments carrying brand names with "U.S.", "U.S.A.", or "California", e.g. "U.S.A. Punkwear", prominently displayed on the label turned out to be imported, with an inconspicuously placed country of origin label elsewhere on the garment.

Similarly, many garments carried widely-known American-named brands, long associated with the U.S., but were actually imported. The consumer who has for generations been brought up to think of certain brand names as American as apple pie assumes that the product continues to be made here when in fact it is made in foreign sweatshops.

Frequently, country of origin labels are hard to find: some appeared in the general neck area but were much smaller in size than the brand label with the country of origin in much smaller print than wording on the brand label; sometimes the country of origin label was placed on the periphery of the neck area and not visible at a glance for garments displayed on a hanger; on a line of shirts, the country of origin was eventually located in tiny print on the reverse of the neck loop; in some cases

country of origin was indicated on a detachable tag affixed to the outside of the garment.

This bill would help to overcome the confusion illustrated above by ensuring greater clarity and uniformity in country of origin labeling and by requiring the positive identification of U.S. made products.

By no stretch of the imagination can these proposals be considered to impose burdensome requirements on domestic or foreign manufacturers. As noted earlier, existing requirements stipulate that labels must provide fabric content information and care instructions, and in the case of imports, country of origin. No new label is called for; all that is required is that additional information be provided in the case of U.S.-made goods and that there be standardized and conspicuous placement of labels in the case of imported goods.

The bill also amends the Textile Fiber Products Identification Act and the Wool Products Labeling Act to require that country of origin information, including that for U.S.-made goods, be included in catalogs or other advertisements relating to the sale of textile and wool products. Clearly, such a provision furthers the valuable goal of expanding consumer awareness. It should be noted that the Fur Products Labeling Act already contains an identical proviso.

Our union would of course prefer that all garments carry a "Union Made in the U.S." label. We're working on that. But in the meantime, in the interests of furthering consumer awareness, we give our support to this measure.

Senator KASTEN. Mr. Daniels, we thank you.

The next witness this morning will be Mr. L. Sykes Martin, the chairman of the Producer Steering Committee of the National Cotton Council. Mr. Martin.

Mr. SYKES MARTIN. Thank you, Mr. Chairman. I am Sykes Martin, a cotton farmer from Courtland, AL. I am testifying in my capacity as chairman of the Producer Steering Committee of the National Cotton Council. The council is the central organization of the U.S. cotton industry, representing not only cotton producers but also ginners, seed crushers, warehousemen, merchants, cooperatives, and textile manufacturers from the Carolinas to California.

We fully and enthusiastically join with the previous witnesses in endorsing S. 1816, the textile labeling bill. S. 1816 will help our domestic industry compete with imported products made primarily from foreign grown cotton. However, every yard of cloth imported into the United States, be it natural or synthetic fiber, displaces demand for our product—U.S. grown cotton.

Ten years ago, American consumers were using 8.1 million bales of cotton in the form of textiles. Almost 90 percent of that cotton was supplied by U.S. growers. But last year, only 76 percent of the 7.7 million bales consumed was grown in this country. The rest was foreign grown cotton contained in rapidly growing cotton textile imports.

With the cotton textile imports supplying more and more of the domestic market, and with those imports containing a smaller fraction of U.S. cotton, American cotton producers have lost the difference between the 90 percent we used to supply and the 76 percent we supply today. That loss over the decade amounts to 1.3 million bales annually.

No one can say with any certainty what the effect on foreign prices would have been last year if cotton's market had been 1.3 million bales larger, but normally a relatively small change in the relationship between cotton supply and cotton demand results in a considerably larger change in price.

The extra 1.3 million bales would have added 12 percent to demand if the supply remained constant. A conservative guess is that this would have resulted in a 15 percent price increase, meaning that cotton producers would have gotten an additional 10 cents a pound or more for their cotton last year. This would have provided very substantial relief for a depressed cotton economy that required significant Government support last year.

With a farm price that much higher, Government deficiency payments would have been reduced by more than $340 million. Beyond this, a smaller and less expensive payment-in-kind program would have been called for.

Textile and apparel market losses to imports are not related to the pricing of U.S. cotton or any other characteristics of our fiber, but rather to lower labor costs abroad and other factors in the manufacturing process.

One way we can compete with imports is to convince consumers that they are better served by products made in the United States from cotton produced in the United States. But the money we spend convincing them will be wasted if they are unable to look at a product in a store and identify its country of origin. That is why we need the labeling law.

Mr. Chairman, members of the committee, we respectfully urge you to approve S. 1816 and move it toward enactment by the Senate. Thank you very much.

Senator KASTEN. Mr. Martin, we thank you very much.

The next witness this morning will be Mr. Charles R. Carlisle, the president of the Man-Made Fiber Producers Association. Mr. Carlisle.

Mr. CARLISLE. Good morning, Mr. Chairman and Senator Hollings. I am Charles Carlisle, president of the Man-Made Fiber Producers Association.

Our members produce more than 90 percent of the manmade fibers manufactured in the United States. We have a great stake in the vital textile and apparel industries. Manmade fiber accounts for about 75 percent of fiber consumption, and U.S. manmade fiber production last year amounted to about 8 billion pounds.

Against this, manmade fiber imports in all forms totaled just a bit over a billion pounds, so the demand for our product was of course lessened by these imports.

We are here today, Mr. Chairman, and I am just going to speak extemporaneously from my prepared statement—I will be very brief—to strongly urge approval of this bill. I would like to second what my friend Mr. Murray Finley has said: This bill won't save our industry, but it will help our industry. It will help our industry by providing consumers with as much information as possible at the time of purchase.

I have been asked to discuss two specific sections of the bill, that requiring origin labeling of individual products packaged in bulk, and that requiring country of origin labeling in catalogs and advertising. There is one premise underlying both of these sections, as well as the entire bill, obviously, and that is the consumer's right to know at the time of purchase.

We believe that this point was implicit in both the Textile Fiber Products Identification Act and the Tariff Act of 1930, and this particular bill would really make the implicit point an explicit one.

Section 3 of the bill requires that both the textile product and the package which contains it be labeled as to country of origin. Currently, Mr. Chairman, many items enter this country in bulk and are labeled only on the outside package. When the package is broken open, then items reach the consumers without origin labels. This system, particularly prevalent in hosiery, deprives the buyer of country of origin information. By requiring labeling on each item within the bulk package, S. 1816 provides the necessary information to the consumer.

Second, section 4 of the bill requires that country of origin information be contained in catalogs and advertising material. We all know that mail order sales are a vital component of retailing and, in fact, catalog sales account for about 9 percent of all apparel purchased. Yet those who frequently purchase textile products through the mail are not informed about the countries in which those products are manufactured.

I am sure we have all had this experience. We buy something through the mail, and then when it comes we find it is made in Korea or made in Portugal, and we thought it was made in the United States. S. 1816 would correct this situation.

And of course many consumers also make decisions based on advertising, and they too should have origin information, and S. 1816 would provide that information.

There has been a reference or two to studies, Mr. Chairman, and particularly to a study made by Dr. Kitty Dickerson of the University of Missouri, about the preference of consumers for American made products. If you have no objection, sir, I have a copy of Dr. Dickerson's study with me this morning and I would like to offer that for the record.

Senator KASTEN. Without objection, a copy of that study will be included in the record.

Mr. CARLISLE. Mr. Chairman, that concludes my remarks. I very much appreciate the opportunity to appear here today and I, too, urge that you and this committee give your approval to S. 1816. Thank you, sir.

[The statement and attachment referred to follow:]

STATEMENT OF CHARLES R. CARLISLE, PRESIDENT, MAN-MADE FIBER PRODUCERS ASSOCIATION, INC.

Mr. Chairman, I am Charles R. Carlisle, President of the Man-Made Fiber Producers Association. Our members produce more than 90 percent of the man-made fibers manufactured in the United States, and man-made fiber, in turn, accounts for 75 percent of fiber consumption by American textile mills. Nearly half of our production goes into apparel.

It is my pleasure to appear before you today and to strongly urge approval of S. 1816. I also would like to express our appreciation to Senators Trible, Hollings and Heflin, who are members of this Committee and sponsors of the bill. We believe this bill is necessary to provide consumers with as much information as possible at the time of purchase.

We have been asked to discuss two specific sections of the bill: that requiring origin labeling of individual products packaged in bulk, and that requiring country of origin labeling in catalogues and advertising offering apparel for sale.

There is one premise underlying both of these sections, as well as the other provisions of the bill. That premise is that the consumer should know the country of origin of a textile product at the time when he or she purchases it or makes the decision to buy it. We believe that point was implicit in both the Textile Fiber Products Identification Act and the Tariff Act of 1930. S. 1816 only makes this implicit point an explicit one.

The Tariff Act of 1930 states that textile products shall be marked "to indicate to an ultimate purchaser in the United States the English name of the country of origin of the article." Similarly, the Textile fiber Products Identification Act requires that a tag, stamp or label be attached indicating "the name of the country where (the product) was processed or manufactured." It is clear from both of these citations that Congress intended buyers to know the origin of textile products. However, the execution of this congressional intent has been faulty in regard to the two subjects we are addressing here today.

First, Section 3e of this bill requires that both the textile product and the package which contains it be labeled as to country of origin unless the label on the article is clearly visible through the package. Currently, many items enter this country in bulk and are labeled, quite correctly, only on the outside package. However, these bulk packages are then broken open and the items, without origin labels, are sold individually. This system, prevalent especially in hosiery, deprives the buyer of country of origin information. By requiring labeling on each item within the bulk package, S. 1816 provides this necessary information to the consumer.

Second, Section 4i of the bill requires country of origin information to be contained in catalogues and advertising offering textile products for sale. As everyone knows, mail order sales are a very vital component of retailing. In fact, catalogue sales account for nine percent of all apparel purchased at retail. yet, those who frequently purchase textile products through the mail are not informed about the countries in which those products are manufactured. S. 1816 corrects that oversight. Likewise, many consumers make purchase decisions based on advertising. They, too, should have origin information and S. 1816 would provide it.

Mr. Chairman, I appreciate the opportunity to appear here today and I will try to respond to any questions you may have.

How do Consumers Feel About Apparel Imports?

THE AMERICAN CONSUMER LOOKS AT LABELS

Survey results showed that American consumers are concerned about the country of origin of the apparel they buy and rate domestic apparel superior to foreign merchandise.

1. When you buy clothing for yourself or members of your household, do you notice whether you are buying items produced in the U.S. or another country? [1]

	Percent
Do not notice	34.3
Sometimes notice	29.1
Notice carefully	36.1
No response	.4

2. Is it important to you that an item of clothing (which you are going to buy) was produced in the U.S.?

	Percent
Very important	32.4
Somewhat important	26.1
Of little importance	15.3
Not important at all	24.4
Undecided, no opinion	1.6
No response	.3

3. In terms of quality, how would you compare imported clothing items to those produced in the U.S.?

	Percent
Imports are better	5.9
Imports are equal to domestic	23.9

[1] Interviewers asked the questions in the form presented. Response alternatives shown were not read to the respondents. The researcher felt that giving consumers options for answers would tend to bias their answers.

	Percent
Imports are not as good	47.3
Undecided, no opinion	22.0
No response	1.0

4. How often do you buy clothing items that were made in other countries when you are shopping for yourself or other adult members of the household? For children age 12 and under?

[In percent]

	Adults	Children
Always, almost always	1.2	2.6
Quite often	5.8	6.0
Fairly often	9.3	17.8
Occasionally	34.2	23.9
Seldom	38.9	29.1
Never	10.6	20.5

THE AMERICAN CONSUMER IS CONCERNED ABOUT IMPORTS

Nine questions addressed the American consumer's concern that clothing imports, which they perceive exceed U.S. apparel exports, were injuring the domestic industry and costing American jobs. In addition, a majority of consumers said they believe retailers make more profit from the sale of imported clothing than from the sale of American-made clothing.

5. Which of the following statements do you feel is more accurate:

	Percent
a. Our country brings more clothing into our country to sell than it ships out	62.7
b. Our country ships out more clothing to other countries than it brings in	19.8
Undecided	11.4
No opinion	1.5
No response	4.6

6. Would it disturb you if you thought more clothing items were being shipped from other countries to sell in the U.S. than were being made here to ship to other countries?

	Percent
Yes	63.1
No	29.8
Undecided, no opinion	6.6
No response	.5

7. Clothing manufacturers in this country say that imported clothing is driving them out of business. Do you think this is true?

	Percent
Yes	63.5
No	22.7
Undecided, no opinion	13.4
No response	1.7

8. Do you think we should be concerned about their claims that this is the case?

	Percent
Yes	82.5
No	9.1
Undecided, no opinion	6.7
No response	1.7

9. Do you think that bringing in clothing made in other countries will cut down on jobs for people who live in the U.S.?

	Percent
Yes	72.7
No	17.8

	Percent
Undecided, no opinion	6.9
No response	2.7

10. Does that influence you as to whether or not you will buy clothing made in other countries?

	Percent
Yes	56.5
No	20.6
Undecided, no opinion	7.3
No response	15.6

11. How do you feel that the wages for workers in the apparel industry in other countries compare to the wages of workers in the U.S. apparel industry?

	Percent
Much higher in United States	52.1
Some higher in United States	19.2
About the same	4.4
Some higher in other countries	2.1
Much higher in other countries	.5
Uncertain	19.6
No response	2.0

12. Do you think that there is any difference in the amount of profit which stores make on imported clothing items compared to clothing items made in the U.S.?

	Percent
Yes	59.6
No	18.2
Undecided, no opinion	14.0
No response	8.2

13. If you believe there is a difference, how do you feel profits compare?

	Percent
Much more profit on imports	38.7
Some more profit on imports	14.9
No difference	2.8
Some more profit on United States products	3.0
Much more profit on United States products	1.7
Undecided	8.0
No response	[1] 31.0

[1] Consumers who answered "no" to the previous question are included in this percentage.

THE AMERICAN CONSUMER THINKS THERE IS A NEED FOR TOUGHER FEDERAL LAWS LIMITING IMPORTS

One question sought consumers' views on stronger federal regulations to limit imported clothing.

14. Do you think our federal government should pass stronger laws that would limit the amount of clothing that could be shipped into the U.S. from other countries?

	Percent
Yes	55.3
No	31.2
Undecided, no opinion	12.7
No response	.9

Other questions provided data on demographic characteristics and purchasing practices. Responses to each item were cross-tabulated with those from other items and analyzed statistically for patterns in consumers' views and for profiles according to demographic characteristics and purchasing patterns. These cross-tabulations indicated that consumers most concerned about the imported clothing issue were middle-aged and middle-income. Women were more concerned than men. Those least concerned were the youngest and oldest, and the highest and lowest income groups.

[The following information was subsequently received for the record:]

QUESTION OF THE MINORITY AND THE ANSWER THERETO

Question. In your testimony you discussed the provision of S. 1816 concerning labeling of bulk packages and labeling in catalog sales and advertisements. Would the effective enforcement of the laws and regulations already on the books take care of the problems in these two areas?

Answer. We do not believe that improved enforcement without added legislative control would resolve these problems.

Section 3 of the bill would amend Section 4(e) of the Textile Fiber Products Identification Act to require that in addition to labeling of the individual products in a package, the package itself must be labeled, or be transparent so as to permit clear reading of the label on the product. The individual product labeling provision is necessary because experience has shown that the package labeling option granted under Section 4(e) has resulted in violation of the law by persons who remove the individual unlabeled products from the package and sell these products without labels. The other aspect of the amendment to Section 4(e) is necessary because the Act requires only a label "on or affixed to the product showing in words . . . plainly legible" the required information.

There is nothing in the Act which requires that a label be placed on a package or that the package be transparent so as to permit reading the labels on the products contained in the package.

Section 4 of the bill would amend Section 4 of the Textile Fiber Products Identification Act by requiring that country-of-origin information be contained in catalogs and advertisements. There is nothing in the Act or the regulations which contains any requirement as to affirmative disclosure in catalogs or advertisements. Section 4(c) of the Act mandates disclosure of the fiber content information required under the Act only if an advertiser chooses to say something about fiber content. Even the limited provisions applies only to fiber content. There is no provision of the Act which requires affirmative disclosure of country of origin in catalogs or other advertising. Hence, "effective enforcement" could not solve the problem. Amendment of the law is necessary.

Senator KASTEN. Mr. Carlisle, we thank you very much.

Our final witness on this panel is Mr. Larry Shelton of the American Apparel Manufacturers Association. Mr. Shelton.

Mr. SHELTON. Thank you, Mr. Chairman.

My name is Larry B. Shelton. I'm executive vice president of Genesco, a manufacturer of men's apparel and footwear, located in Nashville, TN. I also serve as second vice chairman of the American Apparel Manufacturers Association on whose behalf I appear today. We appreciate the opportunity to be present and present our views on S. 1816.

As we previously discussed, there are two aspects of this legislation. One deals with the labeling at the point of sale; the other with labeling in catalogs. We support the country of origin labeling requirements, but we have some reservations about the sales catalog provision.

These reservations and a possible solution are discussed more fully in my statement, which I will only summarize here, but ask that it will be included in the hearing record.

We have also heard in previous testimony about the amount of apparel that arrives here in bulk. Now, when the packages are broken down, there is no way for the individual items to be labeled. There are apparel products normally sold in packages, however, that contain more than one item, that are not susceptible to individual labeling. Men's, women's and children's hosiery is an example. And where this is an established practice, we would hope that the legislation would accommodate it.

Finally, there are instances in which origin labels are not conspicuously placed and the consumer must virtually search the garment to find where it is produced. For these reasons, we support

the product labeling requirements of S. 1816. Essentially, we believe the consumer should have all the facts at hand when buying an article of apparel. We think that the country of origin is an important factor to be weighed as part of the buying decision.

If that decision is to buy an imported garment, then so be it. At least if it is conspicuously labeled as to its source, the customer will be in no doubt as to what he is purchasing.

Thank you for the opportunity to present these views.

[The statement follows:]

STATEMENT OF LARRY B. SHELTON, EXECUTIVE VICE PRESIDENT, GENESCO, INC.

Mr. Chairman, my name is Larry B. Shelton. I am Executive Vice President of Genesco, Inc., a diversified manufacturer of men's apparel and footwear, headquarted in Nashville, Tennessee. I also serve as Second Vice Chairman of the American Apparel Manufacturers Association (AAMA) on whose behalf I appear today. We appreciate the opportunity to present our views on S. 1816 which we generally support.

AAMA is the central trade association for the American apparel manufacturing industry. Our membership represents some 70% of U.S. capacity for apparel manufacturing and produces all lines of apparel.

S. 1816 would require the conspicuous placement of labels on both foreign and domestically produced goods clearly indicating the country of origin and mandating origin information in retail sales catalog offerings. We support the country of origin labeling requirements, but we have some reservations about the sales catalog provision. These reservations and a possible solution are discussed more fully in my statement which I will only summarize, but ask that it be included in the hearing record.

The matter of labeling is currently addressed by the Tariff Act of 1930, the Textile Fiber Products Identification Act, and the Wool Products Labeling Act. However, these laws do not address the subject in its entirety, have created some confusion as to enforcement, and in fact, leave a good bit to be desired in their implementation. S. 1816 would make certain that Congressional intent in the matter of origin labeling of apparel products is carried out.

Today, much imported apparel arrives in the United States in bulk containers, but is sold to the ultimate consumer by the piece. Frequently, the package is labeled as to country or origin, but often the individual items are not. When the package is broken, therefore, the goods are not labeled and the consumer is left without origin information.

In the case of goods made in the United States, origin labeling is not mandated. By requiring made in America products to be so labeled, the bill would assist consumers in identifying goods made in this country.

There are apparel products normally sold in packages containing one or more items which themselves are not susceptible to individual labeling. Men, women's and children's hosiery is an example; and where this is established practice we would hope that the legislation would accommodate it.

Finally, there are instances in which origin labels are not conspicuously placed, and the consumer must virtually search the garment to find where it is product.

For those reasons, we support the product (or packaging labeling requirements, as the case may be) of S. 1816.

Essentially, we believe the consumer should have all the facts at hand when buying an article of apparel, and we think country of origin is an important factor to be weighed in the buying decision. If that decision is to buy an imported garment then so be it. At least, if it is conspicuously labeled as to its source, the consumer will be in no doubt.

With respect to origin labeling in sales catalogs, we are afraid that this provision would be unworkale and virtually unenforceable. Our reasoning stems from the nature of the apparel distribution chain where both imported and domestically produced goods are involved.

Let me cite an example of what is meant.

Tariff item 807 is a provision of existing tariff schedules used by a number of apparel companies. Under it, cloth produced in this country is cut in the United States, and, together with findings and trim, sent outside the U.S. Customs territory for assembly into finished goods.

The goods are then returned with duty paid only on the value added by assembly in the foreign country. Most item 807 business is done with Mexico and the nations of the Carribean basin.

An apparel company with a mix of domestic manufacturing and 807 operations uses that mix to produce at the lowest possible cost which it must do to compete with imports. At any given time, however, that company may not be able to specify whether a particular order for delivery several months in advance will be made entirely in the U.S. or under an item 807 operation. The decision will be based on where it can be made most efficiently and under the lowest cost structure consistent with a quality product.

Major retailers, particularly the large chains, plan their catalogs well in advance of the season to which they are directed. In some instances, catalogs for the spring of 1985 are being planned and going into printing now. The production to meet those offerings, however, may not take place until November or December. So this is a situation in which neither the supplier or the retailer may know where the goods are to be sourced.

Another situation may involve an apparel company which does some direct importing for competitive reasons, other than through item 807. He may warehouse as one lot a specific item sourced in several locations. When his customer places an order for that item, what may be shipped are goods produced in several countries, including the United States, all of which meet the terms and specifications of the order. In other words, the retailer receives what he orders, but upon delivery may find that part of that order is filled with goods made in country X, part with goods made in country Y, and part with goods made in America.

Practical considerations aside, there is also a question of aesthetics and costs. Would the country of origin be carried on every page of the catalog? If one page offered several different items, would the origin be required for each of those items? One could end up with a pretty costly and cluttered catalog.

With these considerations in mind, we would suggest that the provision relating to origin disclosure be deleted. In the alternative, the bill could require one disclaimer printed appropriately in the front of the catalog, on the order bank, or wherever it is likely to be seen by the consumer to the effect that some of the apparel offered for sale in this catalog is of foreign origin. In this way, consumers can be informed, and if they so wish, make further inquiry as to the source.

The importance of this bill, it seems to us is to require appropriate and practical disclosure of the country of origin on the goods. This can be accomplished by item and package labeling.

Thank you Mr. Chairman, for the opportunity to present these views.

[The following information was subsequently received for the record:]

QUESTION OF THE MINORITY AND THE ANSWER THERETO

Question. You have testified that origin labeling in sale catalogs is unworkable due to the way apparel is produced—however, others testified that this provision is necessary to inform consumers in advance who buy from a catalog the origin of the goods. Do consumers who make purchasing decisions through mail order or sales catalogs have a right to know at the time of ordering the origin of the goods?

Answer. Ideally, yes; and we suggested a possible solution to this issue.

We believe that the consumer should have as much reliable information as possible and practical in making the buying decision. The problem with country-of-origin disclosure in sales catelogs is that the catalog may be planned and in the printing stage before the origin of goods is known. It is one of lead time.

We suggest that the catalog contain language prominently displayed to the effect that "some of the apparel offered may be of foreign origin. Please specify American made, if so desired."

Senator KASTEN. Mr. Shelton, thank you very much. I just want to add a personal observation. I used to be in the shoe manufacturing business, and the company that I used to work for is no longer in business. It was not a huge company. We employed about 120 people in Thenesville, WI and about 70 people in Campbellsport, WI. But for Campbellsport and Thenesville, that 200 and some odd jobs were darn important, and they are no longer there.

I do not know if you are aware, Larry, that my first job out of the Air Force was at Genesco. And last night I had an opportunity to appear in a footwear fashion show with a former associate of yours and mine, George Langstaff. I was modeling footwear made in Wisconsin by Allen Edmonds. But in the late 1960's, I worked with Jim Geek and George Langstaff and others in the shoe manufacturing business in Nashville, so it is a pleasure to have you here.

I support the basic concept of the legislation that Senator Thurmond and others have brought before us. I have got a question, though, and maybe Mr. Martin and Mr. Carlisle can answer it, because you addressed it in your comments. I understand the catalog part of it, and I guess what you are suggesting or what the legislation would require would be that the individual item in the catalog would say the country of origin. What specifically are you requiring or do you believe that the legislation would require the catalog to say?

Mr. CARLISLE. Mr. Chairman, the legislation, as it is now drafted, as I understand it, would require that, for example, if it is a man's jacket, that it say made in Korea, if that is where it is made.

I understand that there may be some misgivings. We understand that there may be some misgivings about this particular provision, and I think those were misgivings that my friend, Mr. Shelton, may have alluded to just a moment or two ago; misgivings about the practicality of this provision in view of the lead times necessary in preparing catalogs.

And we would—I think all of us here—I think I speak for the entire group—would be prepared to see some modifications to take care of those practical problems, but we do think it is important to keep the catalog and advertising provisions in the legislation.

Senator KASTEN. I understand. But, specifically, we are going to get a Roger Horchow catalog. You open it up and it has got four or five items; it has pictures; and then down at the bottom, a brief description, a coat number, and a price.

Mr. CARLISLE. Right.

Senator KASTEN. Are you saying that in that brief description next to the coat number or the price, it should say made in a specific country and it should say made in the USA if it is made in the USA?

Mr. JAMES MARTIN. Yes.

Mr. CARLISLE. It would say made in a specific country. Now, if there is some doubt at the time that the catalog is printed, it might say made in the USA and in X, Y, and Z, naming foreign countries. It could also say that.

Mr. JAMES MARTIN. There is a possibility that the item of apparel could be made in the Unites States and in several foreign countris, and we would think that that would be so specified: Made in the USA and X country, Y country, and Z country.

In addition to that, there was one thing that was brought up that we think, first of all, obviously, we know that the subcommittee needs to make technical changes when the bill is marked up. I would be awfully glad to offer any assistance. But in addition to marking the item in the catalog, we think it would be very important to put on the order sheet itself a preference line, made in

USA, so that if the person doing the ordering would like for the piece of apparel or the piece of textile product to be made in the United States, they would put an X marked by that preference, so stated on the order form.

Senator KASTEN. In other words, you are suggesting that where the product is made in more than one place, that the order form have the choice on it.

Mr. JAMES MARTIN. Surely.

Just a check mark. I suppose if they wanted it made in China, they could put that down.

Senator KASTEN. For purposes of this legislation—and I guess Mr. Martin, Mr. Shelton, anyone that would like to comment—how do you define advertising? I can understand, for example, in a newspaper advertisement, it might be possible to put made in X, Y, Z or made in America.

Let's take it a step further and put print media and print advertising aside. How do you view this legislation in terms of the electronic media? Specifically, radio, television, and other kinds of things. Does this, in your view, apply, and how would it be carried through?

Mr. FINLEY. Let me tell you from the point of view of our people. You will see on TV, X store, and they say an educated consumer is our best consumer. That is a well-known ad. That advertisement can say we carry suits made in the United States, made in Korea, made wherever. Well, say it, because they say an educated consumer is their best customer. Well, just educate the consumer, and there is no reason when the particular owner—and this is a well-known ad in this area—he can say we have the finest lines of suits made in the USA, made in Korea, made in the People's Republic of China. Come in and buy them.

I see no reason when they say that, they cannot add that to their oral statement on TV.

Mr. DANIELS. We believe that the consumer who buys as a result of television advertising has as much of a right to know what she is buying as somebody who buys it through a catalog. And the way a television ad can be used—and this is one of my areas at the ILG—there are any number of ways it can be done orally. It can be done in print, too, as an overprint on the ad. It can be done in any number of ways.

We do not think that because a copywriter may have to find a new way of doing it on television is reason enough for the consumer to be deprived of the choice.

Senator KASTEN. The question as to whether it would be included in the copy, let us just say a television ad, for example, or whether or not it should simply be a disclaimer that would come on, like a political advertisement authorized and paid for by X, Y, Z committee, those kinds of questions are to be left to the regulators; is that right? Or do you have specific ideas as to how that would be handled?

Mr. DANIELS. I would think that it would be difficult to do that in any one way. What you would do with a 60-second commercial, you cannot do with a 30-second commercial or a 15-second commercial. So what would be appropriate in one case is not necessarily

appropriate in the other, and I doubt whether legislation could specify that. I think that would have to be left to regulation.

Senator KASTEN. I think that it is going to be important for us to kind of think this through a little bit, because No. 1, we do not want to end up with a huge regulatory expense, and No. 2, we do not want to end up with the advertisers and the people that work in print and electronic media taking on a huge new cost.

There has got to be a way through this, to meet the goals that you are talking about, without adding on a whole new regulatory burden. I am not sure that this has been addressed, but I think it is something we might want to look at and consider.

Senator Hollings?

Senator HOLLINGS. The question, Mr. Chairman, that intrigues me is whether or not the advertiser would be taking on a wholly new policy in that. I commend "Crafted in America," and "We are the union label."

Do you know of any other product in the vast Madison Avenue complement of advertising—does anyone else come off advertising "Made in America?" Do you all know? I am just trying to remember. I do not know of anybody else using that, which tells me we may be, Murray, beginning to educate the consumer and everybody else.

I like the initiative, I love the movement; I hope it catches fire. But I would think, regardless of your polls, the opposite is true. They are all looking for alligators on every piece of garment that you can find around and all these other things. They are not looking for that USA.

Now, we might educate them to do so. But isn't the consumer and the way they buy and their purchasing practices the best poll of all? And there are not any advertisers other than us who are going out of business, saying "Crafted in America." For God's sake, we are leaving as we are drowning, as we are going out of business—for Lord's sake, save these American jobs is what we are signaling. Does anybody really want to get their product consumed, advertised, have an affirmative action advertising program that says "Made in the USA," like we are asking for in this law?

Mr. FINLEY. Senator—Remington. If you will notice those ads, the fellow who bought it—I forget his name—talks about made in the USA, and he mentions another one.

Senator HOLLINGS. Remington?

Mr. FINLEY. Yes. He says it is made in America. It is the Remington razor. It is an electric shaver, and he specifically makes a big point that it is made in America, and he contrasts it, I think, with Norelco, which he says is imported.

Senator HOLLINGS. And he is winning on that, he is making money on it?

Mr. DANIELS. Once in a while, when an automaker wakes up in Detroit, he does have some ads that say, "Made in USA."

Senator HOLLINGS. Oh, yes. We call him out on the trail Coca-Cola, but I know Lee Iacocca. I have a Chrysler and it has got a Mitsubishi engine in it. And when he wanted to buy an executive plane, he did not come down to my backyard in Savannah and buy a Gulfstream; he went up to Canada and bought an import. Yet, he is out there hollering and hollering about—I got into the plant in

Detroit there, Mr. Finley, and they have a Japanese robot assembling foreign parts.

Those jobs are gone forever. That Toyota/GM operation—all are designed, all the engineering, all the development is Japanese. We just get the assembly jobs. I live on the docks and I see the tobacco being exported, the foodstuffs, the soybeans, timber, the coal, we are exporting all our national resources and importing the finished product. We are becoming a colony of Japan, and that is where we are.

That bothers me. I wish we could sort of advertise the quality, I think, because the quality is in the garment, whether it is Amalgamated, or ILGW, or whatever, made in USA. I am convinced that lady does more than the label on the USA. What is that? Hanes? "It does not say Hanes until I say it says Hanes, or something like that"? She runs around and gives me the impression on that little ad that that thing is well made.

I think that should be emphasized as much as the USA part of it, and they will start buying it.

Mr. CARLISLE. Senator, could I also respond to your question briefly? I believe the shoe industry is also taking a strong interest in this made in America.

Senator HOLLINGS. Because they are going out of business. I do not want you all to leave barefooted, except those with American shoes.

Mr. CARLISLE. I happen to be wearing a pair of Wisconsin shoes this morning. They are wonderful shoes.

Senator HOLLINGS. But 72 percent of that domestically consumed is foreign imports.

Mr. CARLISLE. The other thing, Senator Hollings—this is not very scientific, and I know that consumers seem sometimes to say one thing, as you point out, and then vote another way with their pocketbooks. But my wife's cousin works in a store up on Cape Cod. There is no textile or apparel manufacturing around there. A lot of retired people, a lot of tourists, and a lot of people who watch their dollars.

But I asked her about this made in America business. I said when people come in, do they pay any attention to where the merchandise is made? And I expected her, frankly, to say no, they don't care; they are looking at price. She told me quite the opposite; that many people are very concerned about that. The want to know. And some of them even get angry when they find out that the goods are made in foreign countries.

That is not a very scientific response to your question, but it is at least one instance.

Senator HOLLINGS. But there is the world of advertising and Madison Avenue, and you and Remington are the only two that we know of. It is interesting to me, because it seems like it would take—I like to see things made in the USA, but generally speaking, with their pocketbooks, the consumer has not shown that awareness or concern yet. Maybe you folks will develop it. I hope so.

I appreciate it. Thank you, Mr. Chairman.

Senator KASTEN. Thank you, Senator.

There may be additional questions for you as members of the panel, coming from other Senators who are members of the Com-

merce Committee. We will get those questions to you in writing, and you can respond to us in writing.

We thank you all very much for appearing this morning, and look forward to working with you.

Our next witness will be Mr. Simon Gluckson, the chairman of the Textile and Apparel Group, American Association of Exporters and Importers.

Mr. GLUCKSON.

STATEMENT OF SIMON GLUCKSON, CHAIRMAN, TEXTILE AND APPAREL GROUP, AMERICAN ASSOCIATION OF EXPORTERS AND IMPORTERS

Mr. GLUCKSON. Thank you very much, Senator Kasten, and Senator Hollings in absentia, and the staff.

My name is Sim Gluckson. I am president of the Sunrise Knitwear Co. I appear before the subcommittee today in my capacity as chairman of the Public Relations Committee of the Textile and Apparel Group of the American Association of Exporters and Importers.

Need I say I feel greatly outnumbered and greatly privileged to be able to make these comments. After hearing you, Senator Kasten, and Senator Hollings, we have no objection and never had, and I think every American manufacturer and worker has every right to have "Made in USA" in their garments. I think the fact that they have not done it is a sin of omission, not a sin of commission.

By the same token, I know the garments that we bring in from overseas are labeled country of origin, can be inspected, and are inspected by customs and rejected where they are not. I think we are begging the issue when we come to the question of labeling, and I will not get into a big discussion about that. I am for "Made in America" labels, as I am "Made in China," "Made in Afghanistan," "Made in Bangladesh," or anywhere else.

One of the problems that you alluded to in catalogs specifically is the amount of time it takes to prepare a catalog. They can be 9 months to 1 year in the making. In the meanwhile, due to the code categories, quota calls, and the like, we have to shift items from country to country. If there is a quota call coming out of Korea on a sweater or a knit shirt or something of that sort, we have to go to another country.

I do not know how your major retailers and catalog people can state the country of origin. Certainly, they can state "Made in USA." They can state "made in" any one of two or three countries. They cannot today state that there are 17 different countries that the shirt might be coming from, and I think this is one of the major problems that you are facing today.

I think when you see a newspaper ad and it is an image for a store, it is awfully difficult to know what that dress that they think is so attractive, which country it is going to come from. When it is in the store, it is properly labeled, and that label is available to be seen and to be used.

We have been regulated by the textile Federal Trade Commission ruling for a number of years. There are laws on the books. The

laws are enforceable. We see only a duplication, rather than a really intelligent, desirable approach to make the situation less of a nontariff barrier. I consider this another nontariff barrier toward the American importer.

Preparation of advertising, as you know, is a complicated process. In this case, or certainly in magazines, it is months and months. I really do not know how you are going to be able to tell the story as long as the quota category situation and calls are maintained. I think these are some of the questions we should face. These are not simplistic answers and a simplistic bill is not going to answer the question.

I just would like to conclude, because I felt that both you and Senator Hollings certainly understood everything that was being said and presented to you. AAEI-TAG believes that the existing regulations relating to the country of origin disclosures in advertising and labeling fully serve the public interest by providing consumers with useful information for making informed judgments when needed at the time of purchase.

S. 1816 provides little, if any, true benefit to the consumer, while imposing overwhelming burdens on the importers and retailers and clouding appropriate regulations. AAEI-TAG believes that retailers and consumers alike and importers would be harmed if S. 1816 were enacted.

I really thank you for allowing me to make this presentation.

Senator KASTEN. Thank you very much, Mr. Gluckson.

You talked about catalogs and said that the average catalog is 9 months in production, or you said some catalogs could be up to 9 months. Is that the average?

Mr. GLUCKSON. Well, you cannot compare a Sears Roebuck catalog to an L.L. Bean catalog. And there is also an Ann Taylor catalog. As one of the gentleman said, he received close to 40 catalogs.

Depending on the size and the scope of the catalog, yes, many are a year in production.

Senator KASTEN. I will just ask you the same question that I asked the other gentleman because this advertising catalog section is not clear in the legislation.

In your view, this legislation would require in each description the specific country of origin. Is that right?

Mr. GLUCKSON. That is the way we interpreted it.

Senator KASTEN. Your problem is that you will bump up against a quota or another kind of a limit from one country. Therefore, you will substitute the exact same product made in another country. Is that what you are saying?

Mr. GLUCKSON. Yes.

Senator KASTEN. And that could be done during the time that you are making the catalog, or while the catalog is out, because you could bump up against a quota for one country; therefore, you would substitute another country?

Mr. GLUCKSON. May I give you a specific case that happened in the last week? There was a call on CVC oxford shirts, button-down oxford shirts—chief value cotton—from Indonesia. That garment then had to be—you called each of your customers and told them we cannot bring them in out of Indonesia, but there is quota open in Bangladesh.

Now, if the law had been in effect and a store or group of stores or catalog had advertised those shirts as made in Indonesia, we would be in defiance of the law. And so would the company producing the catalog. You need a certain freedom and latitude. It is very difficult today with the quota and call system to state the exact country of origin.

Let's go back though. If you want to say "Made in USA," absolutely. No reason not to.

Senator KASTEN. It seems that you do not have a problem with the labeling part of the bill. Your problem is primarily with the advertising and catalog part of the bill. Is that correct?

Mr. GLUCKSON. Well, my problem only with labeling is that we do label every garment that comes in, regardless of the country. I do not know which country I am going to be making the garment in. In other words, if 645/646, which are acrylic sweaters, is closed in Korea and we have to move to India we then advise that customer beforehand that that garment will say "Made in India," not "Made in Korea."

But that order has already been placed. The letter of credit has been opened. There is a gap. There is a 3- to 6-month gap that we are not taking into consideration. And the gentleman who made the comment before, where it was very easy to call up Madison Avenue and just put it in or change a newspaper advertisement, three-quarters of the time the stores do not know where they are getting the goods from until that letter of credit has been amended.

There is another factor that I think is important. If you have a check point in the catalog that I want this shirt made in America, I do not want it made in China, Korea, Afghanistan, or anywhere else, in the infinite wisdom of the retailer, he might never have placed that shirt in the United States because of the price. And, therefore, even though you check off made in USA, he might not be able to fulfill that.

I find some of the answers that we got this morning were slightly simplistic to a very complicated question.

Senator KASTEN. One of the things that was brought up by a couple of the different witnesses were products that were bought in bulk or suggesting that the box might have been labeled with country of origin, but the individual items were not, or bought in packages and someone commented, I believe, on stockings. The package would be labeled, but the product was not.

Is this true?

Mr. GLUCKSON. I cannot speak for stockings, but I will say that in knitwear where we do bulk pack, every garment within the carton carries its own label, the bag carries its own label, as well as the carton carrying the label.

Senator KASTEN. And the label that is on the garment, is that a label that is clear and easily recognizable?

Mr. GLUCKSON. It is highly visible. It is right in the center of the neck, and it says country of origin.

You do have, under the FTC, tremendous regulations, and I really question the reason for the legislation. I think it is superfluous at this point. I think the idea was, with catalog trade becoming more and more important, if there were a way to distinguish with catalog, but even when the gentleman to the left—and I am sorry I

did not remember his name—did show, and I think the group showed that they were not really comfortable with the handling of catalogs. And I think this is something that should be taken up in much more detail. It is really a problem, as well as TV advertising.

I cannot see Mr. Syms, the gentleman alluded to, saying "I have suits, and a knowledgeable consumer is my best customer," and then saying, "but my suits come from 17 different countries," and then be willing to pay for that ad.

You are running into an increasing problem of cost to the retailer which will be passed on to the consumer.

[The statement follows:]

STATEMENT OF SIMON GLUCKSON, CHAIRMAN, TEXTILE AND APPAREL GROUP, AMERICAN ASSOCIATION OF EXPORTERS AND IMPORTERS

My name is Sim Gluckson. I am President of Sunrise Knitwear. I appear before the Subcommittee today in my capacity as Chairman of the Public Relations Committee of the Textile and Apparel Group of the American Association of Exporters and Importers (AAEI-TAG). I am also a member of the Importers and Retailers Textile Advisory Committee. I am accompanied today by Martin J. Lewin of the law firm of Daniels, Houlihan, and Palmeter, P.C. of Washington, D.C., Counsel to the Group.

We appreciate this opportunities to comment S. 1816, the Textile Fiber and Wool Products Identification Improvement Act. AAEI-TAG is a group of almost 100 importers and retailers of apparel and other textile products, including many of the country's largest importers and retailers of these products. As S. 1816 would have its major impact on our members' business operations, our members have a extremely important interest in it. AAEI-TAG opposes this bill for a number of reasons.

COUNTRY OF ORIGIN DISCLOSURE IN ADVERTISING

AAEI-TAG is particularly concerned about the provisions of S. 1816 relating to disclosure of country of origin of apparel and other textile products in advertising. The bill would require that the country of origin of these products be included in written catalogues and any other advertising "used to aid, promote, or assist directly or indirectly in the sale or offering for sale" of these products. The provision is discriminatory and imposes an extreme hardship on importers and retailers. In addition, we firmly believe that consumers will be harmed rather than helped if this provision is enacted.

The Federal Trade Commission (FTC), which has the primary responsibility for enforcing the Textile Fiber Products Identification Act, has, by its administrative rulings and opinions, established a policy distinguishing between point of sale advertising, that is, advertising and promotion of products at the point where the consumer actually purchases the product, and other advertising. For example, FTC regulations currently require that an importer of apparel products must make a clear and conspicuous disclosure of the foreign origin of apparel products in all mail order promotional materials. The FTC explained the purpose for this regulation as follows:

"The underlying reason for the disclosure requirement is that mail order purchasers do not have the opportunity to inspect the merchandise prior to the purchase thereof and be apprised of a material fact bearing upon their selection." (16 C.F.R. Section 15.369)

On the other hand, the FTC does not require that the country of origin of products appear in newspaper advertisements (16 C.F.R. Section 15.456).

The FTC's rulings and regulations on disclosure of country of origin of apparel and other textile products in catalogues and advertising is consistent with its general requirements for country of origin disclosure on other imported products which require disclosure of country of origin on imported products in a clear and conspicuous manner at the point of sale and not in other advertising (16 C.F.R. 15.220).

The FTC's current position on disclosure in advertising makes sense. Disclosure of country of origin at point of sale provides consumers with useful information to assist them in their purchase decision. This is obviously the point where information of this sort is needed. The benefits to consumers of this information in advertisements are much less prior to point of purchase. Consumers rely on newspaper,

magazine, television and radio advertising for information on styles, cost and availability of merchandise, not for making final judgments. For this reason, any benefits to be gained by inclusion of this information in advertising are negligible in relation to the costs involved.

S. 1816 would radically change this sensible rule by requiring that the country of origin of apparel and other textile products be included in advertising not only directed to point of sale but other advertising as well. Such a requirement would be extremely onerous for importers and retailers. Compliance with the requirements of S. 1816 relating to country of origin disclosure in advertising could be extremely difficult, if not impossible, in many instances, because of the lead time required for preparation of advertising materials and the uncertainties which surround sourcing of apparel imports due to the extraordinary degree of government intervention in this area.

Preparation of advertisements is a complicated process requiring many months between concept and execution. In the case of magazine advertising, ani extemely important medium for apparel, campaigns are typically developed a full season—six to nine months—before apparel is actually sold in retail stores. Photography and plating are also completed months before magazines are printed and sold. For example, advertising work is already in progress for fall merchandise to be sold in stores beginning in August and September. Apparel to be shown in ads were selected and photographed in February and March. Plate work for printing these ads should be completed shortly. In the case of importers' ads and other promotional materials directed at retailers rather than consumers, the lead time between development of these materials and importation is even longer.

For this reason, compliance with the advertising requirement of S. 1816 would require that importers and retailers know precisely the country of origin of the apparel to be sold many months in advance of importation and delivery to stores. Unfortunately, this is not possible in the current highly controlled trade environment for apparel and other textile products.

As the Committee is aware, most apparel and other textile products imported into the United States today are subject to quota, either as a result of negotiations with foreign supplying countries or, increasingly, as a result of the Government unilaterally imposing quotas after consultations fail to establish quotas by agreement. Quota in individual categories of apparel and textile products has become a scarce and valuable commodity overseas. Because of this, importers are often unable to obtain merchandise in the country originally selected because quota for the category of merchandise they are importing is unavailable or too expensive in that country. Importers are then forced to import merchandise from other countries. The shifts in source of supply frequently occur at the last minute due to the volatility of quota situations and the suddenness of U.S. Government intervention.

Complicating the quota situation is the U.S. Government's increasing use of "calls" to impose quotas on small quantities of merchandise from new as well as established countries. Since January of 1983 the Government has issued calls in 153 categories from at least 22 countries; the Government has made 41 such calls this year alone. Quota levels established as a result of these calls are frequently less than orders already placed. Importers cannot plan for these situations as the Government takes these actions without advance notice. As a result, these calls force importers to shift orders to other countries. In this highly restructed trade environment, importers and their retail customers are often uncertain of the actual country of origin of merchandise until after advertisements are prepared. A requirement that country of origin be disclosed in ads leaves importers and retailers with draconian options: either make a judgment as to the likely country of origin of the products and risk truly deceiving consumers if the situation changes, or not advertise and deprive consumers of helpful information. Either option harms importers, retailers and consumers alike.

The advertising requirement of S. 1816 would often be extremely onerous even in situations where no last minute changes in country of origin of merchandise occurred. Importers increasingly source identical merchandise in more than one country to spread quota risks. These merchandise are distributed interchangeably throughout the United States. Some retail locations may receive products from one country, others from a second country, still others from both countries. Of course, the ultimate consumer knows the country of origin of the product he or she purchases because of existing labeling requirements. However, preparation of advertising and distribution of merchandise would be an administrative nightmare, requiring precise matching of distribution with numerous ads prepared months earlier by different stores in different regions.

A related and equally serious problem arising from the advertising requirements of S. 1816 for manufacturer-importers of apparel and other textile products. Many manufacturers today combine U.S. manufacturing with importing of the same merchandise to balance cost, lead time to deliveries, and reorder capabilities. Again, under current law the ultimate consumer knows whether the merchandise purchased is imported and its country of origin. Under S. 1816, this U.S. manufacturer is confronted with the same administrative nightmare as multiple source importers.

Another major problem with the advertising provision of S. 1816 is that its intended coverage is unclean. As currently drafter, S. 1816 appears to cover television and radio advertising, institutional or "image" advertising, and cooperative advertising. A disclosure requirement presents additional particular problems with each of these forms of advertisement.

Television advertisements by their nature are short and limited in content. Often these ads show a number of different articles of clothing. Adding country of origin information to these advertisements would confuse the message, use up valuable time, and severely limit these advertisements' effectiveness. It is not difficult to imagine the utter confusion such a requirement would have on a television advertisement showing a number of different apparel products, sourced in different, and even multiple, countries. Radio ads present similar problems. Moreover, as radio ads often only mention brand names, country of origin disclosure would be impossible.

Disclosure of country of origin would have a similar impact in institutional or "image" advertising. These advertisements are not intended to sell specific products but rather to enhance a company's name recognition and image, for example, a billboard advertisement showing a car with the message"Ford has a better idea." Country of origin information in such an ad is out of keeping with its message and imparts no useful information to the consumer.

The requirement that country of origin be disclosed in cooperative advertising would be extremely onerous to importers. Although this advertising is financed jointly by importers and retailers, it is generally prepared by retailers, with importers having little control over its content. It appears that under S. 1816 importers would be guilty of deceptive advertising for incorrect country of origin information in cooperative advertisements even though they were unaware of their content.

Importers of apparel and other textile products are already handicapped by the most severe trade barriers existing on any products. The advertising disclosure requirements of S. 1816 represent a further barrier to imports in the guise of consumer protection. Moreover, S. 1816 is discriminatory. It obliterates the FTC's reasonable distinction between point of sale advertising and other advertising for textile fiber products only, even though compliance with a country of origin disclosure requirement raises particular problems for importers and retailers of these products because of Government imposed quotas.

These requirements would merely add to the uncertainty already existing in apparel and textile products trade and increase the risk of importing these products. By adding to the uncertainty retailers already face when they purchase imported products and increasing the risk of advertising these products, these requirements make the purchase of imported apparel and other textile products a greater risk to retailers and create a new disincentive to their purchase.

While put forward as a consumer protection measure, these provisions would harm consumers. Compliance with these requirements would be costly both for importers and retailers and these costs would be passed on to the consumer. The difficulty with compliance would result in less advertising of these products and therefore provide less, rather than more, information to consumers, and good faith attempts to comply with these requirements in advertisements could actually misinform consumers despite importers' and retailers' best efforts. Finally, the additional disincentive for retailers to purchase products subject to these requirements would limit their availability to consumers, thereby reducing consumer choice. We see these costs clearly outweighing the legible benefits to be gained from enactment of this provision.

OTHER PROVISIONS OF S. 1816

S. 1816 contains other provisions relating to labeling which are unclear or redundant. These provisions would confuse existing labeling requirements which serve the public interest and could harm importers and retailers and consumers without compensating benefits.

S. 1816 states that imported textile fiber products shall be misbranded if not labeled in the "most conspicuous place" on the inner side of such product, unless it is

labeled on the outer side of the product. It is unclear how this provision is intended to change existing requirements.

FTC regulations require that the country of origin and other required information "be conspicuously and separately set out on the same side of the label in such manner as to be clearly legible and readily accessible to the prospective purchaser . . ." (16 C.F.R. 303.16). Similarly, Treasury decisions going back to 1958 require that imported waring apparel such as shirts, blouses, coats, sweaters, etc. "must be legibly and conspicuously marked with the name of the country of origin" by means of a label "sewn or otherwise permanently affixed on the inside center of the neck between the shoulder seams . . ." (T.D. 54646(6), Bureau of Customs Circular Letter No. 3036, July 2, 1958).

It is not clear what S. 1816 adds to these requirements. The term "most conspicuous" confuses the issue. Is this term intended to change existing FTC and Customs requirements? If so, how? To our knowledge, no complaint has arisen regarding existing requirements. The provision, if it has any effect, adds unnecessary, rigid regulation of business contrary to the President Reagan's goal of eliminating regulations of this sort. We see no benefit to be gained by the consumer from this provision.

We also do not understand the purpose of the provision on package labeling included in S. 1816. When textile fiber products are sold to consumers in packages, the packages themselves must be labeled if the packaging is not transparent, to meet the FTC's requirement that labeling be conspicuous. Senator Thurmond's remarks upon inserting S. 1816 into the Congressional Record of August, 1984 (S11775) expresses a concern that products have entered in bulk shipments, and although the packages themselves have been properly labeled, the products have removed from their packages prior to sale and sold unlabeled. The packaging provision of S. 1816 does not address this concern. Furthermore, current FTC regulations already require that when packages of textile fiber products are broken up and the individual products are sold outside the packages, the individual products or units sold must be labeled with all required information by the person initially packaging the products. (16 C.F.R. § 303[28).

CONCLUSION

AAEI-TAG believes that existing regulations relating to country of origin disclosure in advertising and labeling fully serve the public interest by providing consumers with useful information for making informed judgmetns when needed at the time of purchase. S. 1816 provides little, if any, true benefit to the consumer, while imposing overwhelming burdens on importers and retailers and clouding appropriate regulations. AAEI-TAG believes the imports, retailers and consumers alike would be harmed if S. 1816 were enacted.

Thank you for allowing AAEI-TAG this opportunity to express its views on this matter of major concern to its members.

Senator KASTEN. We thank you very much for your testimony here today. And on behalf of the subcommittee, I want to thank Senator Thurmond and all of the panelists who have contributed their time and effort.

The hearing is closed.

[Whereupon, at 10:50 a.m., the hearing was adjourned.]

ADDITIONAL ARTICLES, LETTERS, AND STATEMENTS

STATEMENT OF THE NATIONAL RETAIL MERCHANTS ASSOCIATION

The National Retail Merchants Association ("NRMA") appreciates this opportunity to apprise you of our opposition to S. 1816, introduced by Senator Strom Thurmond on August 4, 1983, and asks that this statement become a part of the record of the hearings on this bill.

S. 1816 would amend the Textile Fiber Products Identification Act, the Tariff Act of 1930, and the Wool Products Labeling Act of 1939 to require more extensive country of origin labeling than required under current law. In particular, if this legislation is enacted, domestically-manufactured or processed goods would have to be so identified; country of origin disclosures would have to be made on the outside of packages as well as on particular items enclosed therein; country of origin disclosures would have to be made in advertising materials; and the country of origin label for imported products would have to be placed in "the most conspicuous place" on the inside of the product, unless it were on the product's exterior.

NRMA is a voluntary, non-profit trade association whose over 3,700 members operate more than 45,000 department, chain and specialty stores throughout the nation. NRMA's members have an aggregate net annual sales volume in excess of $150 billion and employ over 2.5 million workers. Approximately three-fourths of NRMA's members are small businesses, with annual sales of less than one million dollars each. Because NRMA's members sell both domestic and imported textile and wool products, the labeling and advertising of which would be affected by S. 1816, NRMA's members are vitally interested in this bill.

NRMA opposes this bill for seven basic reasons.

As an initial matter, the proposed requirement that the country of origin disclosure appear in advertising material would be most onerous. NRMA submits that the costs of such a requirement would far outweigh any benefits to consumers. Typically, a retail advertisement for clothing depicts a group of articles and succinctly describes the price and major characteristics of each item. Requiring the addition of country of origin disclosures would be nothing short of disruptive, particularly in view of the limited space available and the probable length of such disclosures. As a result, advertising costs would undoubtedly skyrocket and consumer prices would accordingly rise. Alternatively, retailers might decrease the number of items advertised, which would be a disservice to consumers, who would not receive information that would otherwise be imparted to them.

Moreover, as country of origin disclosures would be required in advertising "which is used to aid, promote or assist directly or indirectly" the sale of clothing, they would presumably be required even in "image" advertisements, which typically do not single out any particular items. Requiring country of origin disclosures in such advertisements would be confusing and possibly misleading. Further, the advertising disclosure requirement would apparently apply to all media, including radio or television advertising. As television and radio commercials have very strict time constraints, it would be unfair and inappropriate to require full country of origin disclosures in such advertising.

Indeed, a retailer may not, as a practical matter, be able to comply with the advertising disclosure requirements. Thus, for instance, retailers often procure a given item from different suppliers, possibly located in different countries. In addition, due to the particular exigencies of the marketplace, retailers may not know the exact country of origin of a particular item by the time the advertising must be placed.

For these reasons, NRMA submits that it would be inordinately burdensome and unwise to require country of origin disclosures in advertising, particularly when customers can determine for themselves the origin of particular items prior to sale, as they are able to under present law.

In addition, NRMA sincerely questions whether it is necessary or desirable to require a "made in USA" disclosure on domestic goods. Domestic producers who believe that the public would be motivated by the knowledge that an item is produced in the United States are perfectly free under existing law to add such a notation. Indeed, many do. For this reason, it is unnecessary to mandate such a disclosure.

Further, the requirement that goods "manufactured or processed" in the United States be so identified would upset well-established principles concerning country of origin disclosure developed under Section 5 of the Federal Trade Commission Act, 15 U.S.C. § 45, and Section 4 of the Textile Fiber Products Identification Act, 15 U.S.C. § 706.[1] Under the FTC's rulings, the bulk of which consist of advisory opinions, a "Made in USA" disclosure represents that the entire product, including all components, has been manufactured in the United States. See, e.g., 16 CFR § 15.37. If a product manufactured in the United States contains imported components, a "Made in USA" statement must be qualified by a clear and conspicuous disclosure concerning the origin of such imported components. See, e.g., 16 CFR § 15.20. Further, under the FTC's rules, a "Made in USA" disclosure is inapproprate if a substantial portion of the product's components are imported, even if the product is finished or assembled in the United States. See, e.g., 16 CFR §§ 15.22, 15.217, 15.235.

A disclosure that a product manufactured or processed in the United States is "Made in USA" would likely be deemed deceptive unless accompanied by appropriate qualifiers for imported components. As a separate disclosure would presumably have to be made with respect to each foreign-manufactured component, a country of origin label might be lengthy for products manufactured in the United States from components produced in other countries.[2]

S. 1816 would also require the country of origin disclosure label for imported items to be in "the most conspicuous place on the inner side of [the] product," if it is not on the product's outer side. Such a requirement, besides being hopelessly vague, would be regulatory overkill. The FTC's current view—that foreign origin disclosures should be "clear and conspicuous" so that they are accessible to consumers before purchase should suffice. See, e.g., 16 CFR §§ 15.216, 15.221.[3]

In addition, S. 1816 would require packages of items to disclose the country of origin information. It is difficult to fathom the purpose of such a requirement, as Senator Thurmond's introductory remarks indicate that his concern relates to bulk packages that are removed before the items are displayed in retail outlets. Again, if he believes that the laws concerning foreign origin disclosure are not being enforced, the appropriate response should be a call for action by the FTC, not amending the law to impose increased and costly burdens on industry.

Further, as drafted, S. 1816 would become effective as of the date it is enacted. This would have a very serious effect on retailers, which can be expected to have significant inventories of goods which, although legal when ordered, would be rendered unlawful by the overnight imposition of additional labeling requirements. Similarly, advertising material prepared in advance and perhaps being disseminated would suddenly become unlawful. Of necessity, a reasonable lead time is required for any changes in laws dealing with labeling and advertising. NRMA suggests that any such changes apply only to the manufacture of new goods and, in addition, not become effective for at least one year after enactment of the amendment.

Finally, S. 1816 would add another layer of regulation to an already heavily-regulated area. Retailers, importers and manufacturers already face a maze of disclosure requirements regarding such matters as fiber content, care instructions, fair packaging and labeling, and foreign origin. S. 1816 would significantly tighten the regulatory yoke and thus is inconsistent with current efforts to decrease the burdens imposed by federal regulations. In NRMA's view, no sufficient showing has been made to justify these increased regulatory requirements for labeling and advertising, which will only add to production costs and increase the prices consumers pay.

For the above reasons, NRMA has very serious reservations about the desirability of such legislation as S. 1816. The changes it contemplates would amount to in-

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[1] As currently enacted, the Wool Products Labeling Act does not specifically address country of origin disclosures. A note to 16 CFR § 300.25, a regulation promulgated under that Act, nevertheless states that compliance with the FTC's country of origin disclosure standards is expected.

[2] A single garment may be composed of many elements. For example, a woman's dress might consist of, besides the fabric, such components as a collar, buttons, cuffs, interlining, trim and thread.

[3] If, as Senator Thurmond believes, companies are ignoring the FTC's requirements, the proper action should be a call for enforcement proceedings, not legislation that would subject those who have observed the current law to stricter regulation. Indeed, NRMA wonders why Senator Thurmond believes that those who are currently transgressing the law would mend their ways if more stringent requirements are adopted.

creased federal regulation, would needlessly add to the cost of goods during a time of fiscal austerity, and would have a very negative effect on the American retail industry without, NRMA submits, benefitting consumers in a significant way.

NRMA appreciates the opportunity to submit to this Committee its comments on S. 1816.

STATEMENT OF WILLIAM S. SANGER, ASSOCIATE DIRECTOR FOR ENFORCEMENT, BUREAU OF CONSUMER PROTECTION

Mr. Chairman and Members of the Subcommittee: I am pleased to have this opportunity to explain what the Federal Trade Commission is doing to ensure that imported textile and wool products are labeled with the name of the country where they were principally made.[1]

In the Textile Fiber Products Identification Act (Textile Act) approved by Congress in 1958,[2] there is a requirement to label all imported textile fiber products with the name of the country where processed or manufacured. The Commission included within the implementing regulations a specific section covering this requirement.[3] It explains that the term country means the English name of the nation where the textile product was processed or manufactured. It also explains that processed or manufactured means the country where the product was principally made. In addition to this specific section, the Commission's regulations generally direct that all parts of the required information shall be conspicuously and separately set out on the same side of the label in such a manner as to be clearly legible and readily accessible to the prospective purchaser.[4] The label must be conspicuously affixed to the product or the package in which the product is contained and be of such durability that it will remain on the product until it is finally sold and delivered to the ultimate consumer.[5]

The labeling of packaged textile products is addressed in both the Act and the regulations. In the Textile Act any person, other than the ultimate consumer, who breaks open a package, is required to replace the label on the package or to label each unit taken from the package with the required information.[6] In the regulations, the Commission requires the person initially packaging the product(s) to label each individual product as well as the package if it is the common practice of distributors to break that package and sell the individual products.[7]

Under the Wool Products Labeling Act of 1939,[8] (Wool Act) Congress did not include a requirement to label country of origin on imported wool products. Under the circumstances, the Commission did not include a direct requirement for the labeling of country of origin in the implementing regulations. There is, however, a requirement that whenever a representation is made that a fabric is imported then, to avoid deception, the name of the country where the fabric was made must be included in the labeling.[9] More emphatically, there is a footnote just below this requirement that points out that Section 5 of the Federal Trade Commission Act requires all products to be labeled with the country of origin where the failure to make such a disclosure has the tendency and capacity to deceive. The country of origin of imported products has in many cases been judged a material fact bearing upon the consumers selection of a product. Thus, as a general rule, any imported wool product must be labeled with the country of origin. This information about origin does not have to be on the same label with the fiber information required by the Wool Act but it must appear in a clear and conspicuous manner at the point of sale.[10]

It should be noted at this point, that in conjunction with the labeling of country of origin under both the Textile Act and the Wool Act there is a concurrent requirement for origin labeling under the Tariff Act and regulations issued by the Secretary of the Treasury. This dual requirement is called to the attention of all labelers in each of the Commission's regulatons under the Acts.[11] Also this dual require-

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[1] Any views expressed herein are those of William S. Sanger, Associate Director of the Bureau of Consumer Protection. They do not necessarily reflect the views of the Federal Trade Commission or any individual Commissioner.

[2] Pub. Law 85-897, 72 Stat. 1717; 15 U.S.C. 70.

[3] 16 CFR Part 303.33.

[4] 16 CFR Part 303.16.

[5] 16 CFR Part 303.15.

[6] 15 U.S.C. 70 c.

[7] 16 CFR Part 303.28.

[8] Pub. No. 850, 54 Stat. 1128; 15 U.S.C. 68.

[9] 16 CFR Part 300.25.

[10] 16 CFR Part 15.223.

[11] Supra Notes 3 and 9.

ment has resulted in many of the larger types of garment, e.g. shirts, blouses, coats, sweaters, etc., being labeled as to country of origin in a permanent form in the neck of the garment and in a temporary form on the fiber identification tag.[12]

Neither the Textile Act nor the Wool Act mention a requirement for marking origin on domestically made products. In fact, I know of no law at present that requires a label stating "Made in U.S.A.". On the other hand, the Commission has, within the concept of preventing unfair and deceptive acts under Section 5 of the Federal Trade Commission Act initiated many actions to eliminate markings of "Made in USA" where foreign parts or labor have been used and to require markings of the country of origin on packages bearing substantially foreign made articles. Thus the mark "Made in USA" has been preserved for those products that are totally made in this country.[13] Products that are substantially produced in this country but contain some foreign parts or labor have not been required to be labeled with the country of origin.[14] However, those products containing some domestic labor or parts but which are substantially made in a foreign country must be marked with a disclosure of the foreign origin of those parts or labor. A statement such as "Assembled in USA of parts made in (X) country" is frequently used in such cases.[15]

The advertising of wool products is not regulated under the Wool Act. Under the Textile Act advertising is only covered in limited circumstances. For example, if a term refers to the fiber content then the fiber present in the product must be listed. Country of origin is not, however, mentioned in the requirements for advertising.[16]

Under Section 5 of the Federal Trade Commission Act, the Commission has drawn a distinction between newspaper advertising and mail order advertising. Pointing out that mail order purchasers do not have the opportunity to inspect merchandise prior to its purchase and thus be apprised of a material fact bearing upon its selection, the Commission has advised that disclosure of foreign origin should be made in all mail order promotional material.[17]

Enforcement of these labeling provisions is facilitated by the fact that Congress has empowered the Secretary of the Treasury under both the Textile and Wool Acts to exclude improperly labeled products.[18] In addition, the U.S. Customs Service is inspecting for foreign origin labeling required under the Tariff Acts. The Commission's staff, on many occassions, coordinate efforts with the U.S. Customs Service to ensure that all labeling of these products is in compliance with the Acts.

STATEMENT OF DAVID J. STEINBERG, PRESIDENT, U.S. COUNCIL FOR AN OPEN WORLD ECONOMY

(The U.S. Council for an Open World Economy is a private, non-profit organization engaged in research and public education on the merits and problems of developing an open international economic system in the overall national interest. The Council does not act on behalf of any "special interest".)

While the Council believes that both American-made and imported goods should be properly labeled in compliance with existing law and in furtherance of the overall public interest, it objects to proposed labeling legislation that would unjustifiably and unduly burden producers, wholesalers and retailers of the products covered by such legislation and without any significant benefit to consumers in general. S.1816, a bill supposedly "to improve the labeling of textile fiber and wool products," is such a bill. We object, not only to the bill as such, but also to the apparent intention of its supporters to use obstructions to imports of textiles (in this case, obstructions in the marketing of these imports in contrast to the more conventional recourse to import controls of one sort or another) as a way to address the problems of the U.S. textile and apparel industry.

Although the bill seeks to defuse possible charges of discrimination against imports by imposing labeling requirements on domestic textiles as well as on imported textiles, the appearance of balance is less equitable than on quick reading it may seem to be. This is especially so with respect to the requirement that the same labeling required to be shown on the product itself (in the case of imports, identification of the country of origin) must appear "in the heading, body, or other part of

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[12] See Bureau of Customs Circular Ltr #3036 dated July 2, 1958 and T.D. 54640(6).
[13] See 16 CFR Part 15.397, 15.326.
[14] See 16 CFR Part 15.389, 15.315, 15.234.
[15] See 16 CFR Part 15.282, 15.229.
[16] See 15 U.S.C. 70 b.
[17] Compare 16 CFR Part 15.369 and 15.456.
[18] 15 U.S.C. 68 f and 15 U.S.C. 70 g.

any written catalog or other advertisement which is used to aid, promote, or assist directly or indirectly in the sale or offering for sale of such textile product." This tends to discriminate against imports in view of the time lag between preparation of a catalog (or certain other promotional material) and the availability of the advertised import product in the market. It is conceivable that the imported items may at times be from foreign countries different from those originally intended in the catalog or other medium. The exigencies of good marketing may make such changes a matter of good judgment, no deception intended or involved.

Another of many objectionable aspects of the bill is the requirement that the label identifying the imported product by country of origin must be affixed to the product "in the most conspicuous place on the inner side of such product, unless it is on or affixed on the outer side of such product." Aside from the fact that what is the most conspicuous place could become an issue of much controversy, there does not appear to be any such requirement as regards location of the label identifying a product as American-made.

Another point deserving attention is the possibility that the labeling required by this bill could be especially burdensome for small retailers who, unlike many of the large retail establishments, do not control the marketing channels through which, from factory to consumer, flow the textiles they sell.

If the supporters of this bill are so anxious to help the consumer in his supposed eagerness for country-of-origin information so that he may choose the American-made textiles he is said to prefer, they might accomplish their purpose more properly by urging producers of American-made textiles to promote the U.S. origin of their goods through explicit labeling to this effect, rather than by seeking legislation that tends to impose inequitable burdens on businesses that market imported goods—legislation that ultimately disadvantages consumers by raising costs and, in turn, prices.

Moreover, supporters of such legislation, in stressing a distinction between American-made and imported textiles, make a distinction which is not as revealing, and as meaningful to the consumer, as some may perceive it to be. The bill refers to a domestic product as one that is "processed or manufactured in the United States," and to an imported product as one that is "processed or manufactured" in a designated foreign country. When account is taken of the fact that many textile products processed or manufactured in a foreign country may originally have been exported from the United States for further processing (perhaps final processing) abroad, the consumer who may wish to base his purchase on whether the textile product is American-made or imported would not be informed through this bill of the extent of American input in a product labeled as imported. To require such information would make such legislation even more objectionable than this bill already seems to be.

If the textile and apparel industry needs and deserves government help (in other words, a subsidy at public expense), it deserves assistance that thoroughly and constructively addresses the real problems and needs of this major industry, and in a manner that advances the overall national interest. Government should avoid import controls except as a temporary, last-resort component of a coherent textile-industry redevelopment strategy; it should absolutely avoid devious devices such as those that encumber the bill being considered in these hearings—devices that tend to obstruct and discourage legitimate imports under the guise of requiring needed, meaningful product information for the consumer.

AMERICAN ADVERTISING FEDERATION,
Washington, DC, April 30, 1984.

Hon. BOB KASTEN,
Chairman, Consumer Subcommittee of the Senate Commerce, Science, and Transportation Committee, Hart Senate Office Building, Washington, DC.

DEAR SENATOR KASTEN: With this letter the American Advertising Federation wishes to go on record in strong opposition to those provisions of S. 1816 which would mandate that all advertising for wool and textile products must contain statements identifying the country, either the USA or a foreign country, in which the products were processed or manufactured. The 25,000 advertising practitioners who make up the membership of our more than 200 affiliated local advertising clubs/federations, our company members—advertisers, advertising agencies and media have traditionally supported reasonable regulations designed to prevent false, misleading or deceptive advertising. The advertising provisions of S. 1816, however, would not protect consumers or honest advertisers and would in fact injure them.

These provisions would create significant burdens for the Federal Trade Commission, retailers, advertisers and advertising agencies, while completely failing to provide any benefit to consumers. These provisions are clearly an expression of misguided policy, and they also may be violative of the Constitution.

Generally, the Federal Trade Commission has followed an interpretation of Section 5 of its organic Act to the effect that it was unlawfully deceptive to market imported products unless they were labeled as to their county of origin. The interpretation as predicted upon the view that most American consumers had a preference for domestic goods, believed them to be superior, and, in the absence of a foreign origin disclosure, would believe that the goods were of U.S. manufacture. However, with some exceptions which are not relevant here, the Commission never imposed this disclosure requirement upon advertising stating:

"Advertising matter present another question. Both the burden of requiring disclosures of foreign origin in all advertisement, and the extent of protection of the public to be derived from such a requirement, assuming adequate disclosure is made on the package and product, are significantly different." (Manco Watch Strap Co., Inc, Docket 7785 (1962). See also Advisory Opinion No. 220, released April 4, 1968, 16 CFR 15.220.

It has consistently been the Commission's view that disclosure of place of origin in advertising is unnecessary when the consumer is clearly apprised at the point of sale, i.e. on the label or package, that a product is imported.

In evolving its enforcement posture the Federal Trade Commission has correctly decided that consumers who have a definite preference for domestic goods are fully protected when the country of origin is disclosed on the goods themselves. Such persons will read labels and have no need for further protection. And, quite obviously, those who do not care, one way or another, need no assistance.

To state that an additional disclosure in advertising would have any effect on these consumer decisions in wishful thinking. Consumers who knowingly opt for foreign products are not going to change their minds because the information they already know from a clearly marked label is repeated in an advertisement. To expect that a three word statement such as "Made in Lilliput" in the advertising will accomplish this task is illogical.

In addition to being ineffective, this statutory mandate would create hardship for the thousands of retailers who advertise and sell wool and textile products. Every line in the print advertisement and every second in a broadcast advertisement must be paid for and a retail ad may offer a dozen or more textile or wool products for sale. In a very real and practical sense this bill would appropriate a part of every affected advertisement for this unneeded, government-mandated message. Such appropriation may violate the First Amendment of our Constitution. As the Supreme Court held in *Central Hudson Gas* v. *Public Service Commission of New York,* regulation of non-misleading commerical speech violates the First Amendment unless "the asserted governmental interest is substantial", "the regulation directly advances the governmental interest asserted", and "is not more extensive than is necessary to serve that interest." 447 U.S. 557, 566. Minimally this message will be totally ineffective in achieving a change in consumer buying habits, it does not advance that governmental interest. Equally clearly, since the present labeling requirements adequately apprise all interested requirements is "more extensive than is necessary."

HOWARD H. BELL, *President.*