STEEL CONTAINER LABELING AND WOVEN LABEL IDENTIFICATION

HEARING

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE HOUSE OF REPRESENTATIVES

EIGHTY-EIGHTH CONGRESS

FIRST SESSION

ON

H.R. 4994

A BILL TO AMEND THE TEXTILE FIBER PRODUCTS IDENTIFICATION ACT AND THE WOOL PRODUCTS LABELING ACT OF 1939 IN ORDER TO REQUIRE THAT IMPORTED WOVEN LABELS MUST HAVE WOVEN INTO THEM THE NAME OF THE COUNTRY WHERE WOVEN

H.R. 5662, H.R. 5673, H.R. 5675

BILLS TO PROHIBIT THE INTRODUCTION INTO INTERSTATE COMMERCE OF ANY SHIPPING CONTAINER MANUFACTURED IN THE UNITED STATES FROM IMPORTED STEEL UNLESS THE CONTAINER IS MARKED SO AS TO INDICATE THE COUNTRY OF ORIGIN OF THE STEEL

NOVEMBER 6, 1963

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Committee on Interstate and Foreign Commerce

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STEEL CONTAINER LABELING AND WOVEN LABEL IDENTIFICATION

WEDNESDAY, NOVEMBER 6, 1963

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON COMMERCE AND FINANCE OF THE
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
Washington, D.C.

The subcommittee met at 10 a.m., pursuant to call, in room 1340, Longworth Building, Hon. Harley O. Staggers presiding.

MR. STAGGERS. The committee will come to order.

The hearing today will be on bills relating to the labeling of certain products. One bill, H.R. 4994, introduced by our colleague on the committee, Mr. Macdonald, would amend the Textile Fiber Products Identification Act and the Wool Products Labeling Act of 1939 in order to require that imported woven labels must have woven into them the name of the country where woven.

Three bills dealing with another aspect of labeling are identical. They are H.R. 5662, H.R. 5673, and H.R. 5675, introduced by our colleagues on the committee, Mr. Curtin, Mr. Roberts, and Mr. Rostenkowski. These bills would prohibit the introduction into interstate commerce of any shipping container manufactured in the United States from imported steel unless the container is marked so as to indicate the country of origin of the steel.

At this point in the record I will insert the text of each of these bills and the agency reports thereon.

(H.R. 4994, H.R. 5662, and agency reports thereon follow:)

[H.R. 4994, 88th Cong., 1st sess.]

A BILL To amend the Textile Fiber Products Identification Act and the Wool Products Labeling Act of 1939 in order to require that imported woven labels must have woven into them the name of the country where woven

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That 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 subsection:

"(i) For the purposes of this Act, any woven label which is an imported textile fiber product shall be misbranded unless the name of the country where such label was woven into such label before importation."

SEC. 2. 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 paragraph:

"(e) For purposes of this Act, any woven label which is an imported wool product shall be misbranded unless the name of the country where such label was woven is woven into such label before importation."

SEC. 3. The amendments made by this Act shall apply with respect to articles entered, or withdrawn from warehouse, for consumption after the sixtieth day after the date of enactment of this Act.

[H.R. 5662, 88th Cong., 1st sess.]

A BILL To prohibit the introduction into interstate commerce of any shipping container manufactured in the United States from imported steel unless the container is marked so as to indicate the country of origin of the steel

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 "Steel Shipping Container Identification Act".

DEFINITION

SEC. 2. As used in this Act—

(a) The term "person" means an individual, partnership corporation, association, or any other form of business enterprise.

(b) The term "commerce" means commerce among the several States or with foreign nations, or in any possession of the United States or in the District of Columbia, or between any such possession and another, or between any such possession and any State or foreign nation, or between the District of Columbia and any State or possession or foreign nation.

(c) The term "Commission" means the Federal Trade Commission.

(d) The term "shipping container" shall mean all steel drums and pails (as defined in this subsection) used for shipping products to wholesale or retail distributors or to commercial users and are defined as—

(1) Drum: Any single wall cylindrical or bilged container having a capacity of over twelve gallons to one hundred and ten gallons, inclusive, constructed of steel sheet and inclusive of all gages.

(2) Pail: Any steel shipping package with or without bail and handle having a capacity of one gallon to twelve gallons, inclusive, constructed of steel sheet twenty-nine gage or heavier.

MARKETING OF STEEL SHIPPING CONTAINERS

SEC. 3. (a) It shall be unlawful and shall be an unfair method of competition and an unfair and deceptive act or practice in commerce under the Federal Trade Commission Act for any manufacturer of steel shipping containers to introduce any such container into commerce directly or indirectly, whenever such container is manufactured in the United States in whole or in chief value from steel made outside the United States, unless such container bears stamped thereon in letters not less than one-fourth of an inch in height the legend "Steel used in the manufacture of this was made in "; with the first blank space being filled with the appropriate designation of the container, and the second blank space being filled with the name of the foreign country in which such steel was made.

(b) It shall be unlawful and shall be an unfair method of competition and an unfair and deceptive act or practice in commerce under the Federal Trade Commission Act for any person to deface, destroy, remove, alter, cover, obscure, or obliterate any mark placed on a steel shipping container pursuant to subsection (a) of this section, if the purpose of defacing, destroying, removing, altering, covering obscuring, or obliterating such mark is to hinder or prevent other persons from obtaining the information given by such mark.

RECORDS

SEC. 4. (a) Every manufacturer of steel shipping containers subject to sections 2–7 of this Act shall maintain proper records showing the origin of the steel used in all steel shipping containers made by him, and shall preserve such records for at least three years.

(b) The neglect or refusal to maintain or preserve the records required by this section is unlawful, and any person neglecting or refusing to maintain such records shall be guilty of an unfair method of competition, and an unfair or deceptive act or practice in commerce under the Federal Trade Commission Act.

ENFORCEMENT

SEC. 5. (a) Except as otherwise specifically provided in this Act, this Act shall be enforced by the Commission under rules, regulations, and procedures authorized for in the Federal Trade Commission Act.

(b) The Commission shall prevent any person from violating the provisions of this Act in the same manner, by the same means, and with the same juris-

diction, powers, and duties as though all applicable terms and provisions of the Federal Trade Commission Act were incorporated into and made a part of this Act; and any such person violating the provisions of this Act shall be subject to the penalties and entitled to the privileges and immunities provided in the Federal Trade Commission Act as though the applicable terms and provisions of such Act were incorporated into and made a part of this Act.

(c) The Commission is authorized and directed to make such rules and regulations as may be necessary and proper for the purposes of administration and enforcement of this Act.

(d) The Commission is authorized to cause inspections, analyses, tests, and examinations to be made of any steel shipping container subject to this Act.

CRIMINAL PENALTY

SEC. 6. (a) Whoever willfully violates section 3 or 4 of this Act shall be guilty of a misdemeanor and upon conviction shall be fined not more than $5,000 or imprisoned not more than one year, or both, in the discretion of the court: *Provided*, That nothing in this section shall limit any other provision of this Act.

(b) If the Commission has reason to believe that any person has violated section 3 or 4 of this Act the Commission may certify all pertinent facts to the Attorney General and if the Attorney General concurs, he shall cause appropriate proceedings to be brought for the enforcement of this Act against such person.

APPLICATION OF OTHER LAWS

SEC. 7. The purposes of this Act shall be held to be in addition to, and not in substitution for or limitation of, the provisions of any other Act of Congress.

SEC. 8. This Act shall take effect three months after the date of its enactment.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., November 7, 1964.

Hon. OREN HARRIS,
Chairman, Committee on Interstate and Foreign Commerce,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your request of March 21, 1963, for comments on H.R. 4994, a bill "To amend the Textile Fiber Products Identification Act and the Wool Products Labeling Act of 1939 in order to require that imported woven labels must have woven into them the name of the country where woven."

The bill would require that every woven label of wool or textile fiber imported into the United States be individually marked with the name of the country in which manufactured. Failure to apply such a mark of origin would be construed as misbranding.

The Departments of State, Treasury, and Commerce, and the Federal Trade Commission have all opposed H.R. 4994 in their reports to your committee. The Bureau of the Budget concurs in the comments made by the above agencies, and accordingly recommends against enactment of the bill.

Sincerely yours,

PHILLIP S. HUGHES,
Assistant Director for Legislative Reference.

FEDERAL TRADE COMMISSION,
Washington, D.C., November 4, 1963.

Hon. OREN HARRIS,
Chairman, Committee on Interstate and Foreign Commerce,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your letter of March 21, 1963, requesting a report on H.R. 4994, 88th Congress, 1st session, a bill "To amend the Textile Fiber Products Identification Act and the Wool Porducts Labeling Act of 1939 in order to require that imported woven labels must have woven into them the name of the country where woven."

This bill would amend section 4 of the Textile Fiber Products Identification Act so as to provide that any label which is woven of imported textile fiber is considered to be misbranded under the provisions of the act "unless the name of the country where such label was woven is woven into such label before importation."

Under section 12(a)(5) of the Textile Fiber Products Identification Act (15 U.S.C. 70j), "trimmings" are exempted therefrom. The rules promulgated by the Commission under the provisions of this act describe a "label" as a form of trimming. Furthermore, under such rules, rolls of labels, or labels before they are attached to another article, are excluded from the provisions of the act on the theory that the disclosure of the textile fiber content of a label is not necessary for the protection of the ultimate consumer. It is our understanding that Congress, in enacting the Textile Fiber Products Identification Act, was primarily interested in the fiber content of the product being offered for sale and not in the fiber content of the label attached to the product.

The Commission is of the opinion that it would be very difficult, administratively, to police this matter of labels in addition to the labeling of products to which the labels are attached, and, further, that this is not necessary for the protection of the ultimate consumer.

It is our opinion that the enactment of the subject bill would cause confusion where a prospective purchaser of a textile product, woven in one country, noted that there was attached thereto a label which disclosed that the label was woven in another country.

The Commission opposes the enactment of H.R. 4994.

PAUL RAND DIXON, *Chairman.*

N.B.: Pursuant to regulations, this report was submitted to the Bureau of the Budget on May 3, 1963, and on November 1, 1963, the Bureau of the Budget advised that there is no objection to the submission of this report from the standpoint of the administration's program.

JOSEPH W. SHEA, *Secretary.*

DEPARTMENT OF STATE,
Washington, November 6, 1963.

Hon. OREN HARRIS,
Chairman, Committee on Interstate and Foreign Commerce,
House of Representatives.

DEAR MR. CHAIRMAN: This report on H.R. 4994, a bill "To amend the Textile Fiber Products Identification Act and the Wool Products Labeling Act of 1939 in order to require that imported woven labels must have woven into them the name of the country where woven," is submitted in response to your request of March 21, 1963.

The purpose of H.R. 4994 is to require that every woven label of wool or textile fiber imported into the United States to be affixed to a garment or other article be individually marked with the name of the country in which manufactured.

Under existing law, woven labels imported by a manufacturer, processor, or dealer in this country to be affixed to articles by him are exempt from requirements as to individual marks of origin. The Wool Products Labeling Act (15 U.S.C. 68b) does not require that products be identified as to country of origin. Although the Textile Fiber Products Identification Act contains a marks-of-origin requirement (15 U.S.C. 70b), articles to be sold to the ultimate consumer in packages are exempted provided the package bears the name of the country of origin. A similar rule is applied under section 304 of the Tariff Act of 1930 (19 U.S.C. 1304) as interpreted by the courts.

It is the view of the Department of State that the provisions of existing law as presently interpreted with respect to the marking of woven labels are reasonable and should be allowed to stand. The garment manufacturer or other manufacturer or processor would appear to be the last person in the series of commercial users who would be in a position to exercise an independent personal judgment as to the acceptability of the imported label and is, consequently, properly to be regarded as the "ultimate purchaser."

A principal objection to a requirement that foreign-made labels be individually marked is that if such a label should be affixed to a U.S. product, the product itself would very likely be regarded by prospective buyers as of foreign origin. The effect of the proposed amendment, if enacted into law, would, therefore, be to defeat the purpose of normal marking regulations, which is to prevent deception of the purchaser. Moreover, the singling out of a small class of parts,

such as labels, for exception from the general rules imposed under the laws would not seem to be a desirable administrative practice.

The application of marking requirements to imported woven labels would doubtless be interpreted abroad as the imposition of a new trade restriction by the United States. Such an impression will not be helpful to our negotiations under the Trade Expansion Act, nor will it aid us in securing removal of foreign restrictions affecting our exports. In 1961, less than 6,000 pounds of cotton labels, valued at less than $50,000, were imported. The Netherlands was the principal supplier. The published import statistics for that year do not separately list imports of woolen labels.

For the reasons set forth above, the Department of State is opposed to the enactment of H.R. 4994.

The Bureau of the Budget advises that from the standpoint of the administration's program there is no objection to the submission of this report.

Sincerely yours,

FREDERICK G. DUTTON,
Assistant Secretary
(For the Secretary of State).

GENERAL COUNSEL OF THE DEPARTMENT OF COMMERCE,
Washington, D.C., November 5, 1963.

Hon. OREN HARRIS,
Chairman, Committee on Interstate and Foreign Commerce,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This is in further response to your request for the views of this Department with regard to H.R. 4994, a bill "to amend the Textile Fiber Products Identification Act and the Wool Products Labeling Act of 1939 in order to require that imported woven labels must have woven into them the name of the country where woven."

If enacted, H.R. 4994 would require that the name of the country where imported labels are woven be woven into the label before importation. Any woven label which is an imported textile fiber product would be misbranded unless the mark of origin is so applied.

The Department of Commerce supports the long-established requirement now embodied in section 304 of the Tariff Act of 1930 that, recognizing certain exceptions, each imported article produced abroad must be legibly marked with the name of the country of origin in English so as to indicate to the ultimate purchaser in the United States where the article was originally produced or manufactured. The Department supports equally the principle embodied in the several exemptions from marking requirements authorized or required by that section, that the requirement should not be so applied as to impose an undue burden on foreign commerce.

In the past, manufacturers and processors have been regarded as the ultimate purchasers of labels. On this basis, subsection 3(H) of section 304 requires no country of origin identification for labels used by these business groups. The Department of Commerce favors the retention of this principle.

To go further than the present law appears to be an unnecessary change in the existing interpretation of an "ultimate purchaser" as the term applies to users of labels. Labels have been, and should continue to be, regarded as a component in the overall manufacturing process, the country of origin having little or no significance to the retail consumer. It is, therefore, sufficient that only the outer container of the labels be marked so as to reasonably indicate the country of origin to the manufacturer or processor.

Customs regulations prescribe that where an imported label on an article with which it is combined shows the country of origin of the label and the country name is visible, the country of origin of the label shall be prefixed by the word "label," as "label made in Holland." As a practical consideration, however, many domestically produced articles do not lend themselves to marking and the label is the only feasible place to show the country of origin of the product being marketed. In such instances, retail consumers would in all probability interpret the origin information as pertaining to the product as well as to the label. Consequently, the proposed origin requirement on articles that are to be used by a manufacturer would in many cases be misleading to the buying public.

For these reasons, the Department of Commerce is opposed to the enactment of H.R. 4994.

The Department understands that the domestic woven label industry has been subjected to considerable pressures from competing imported products. However, it is not believed that a discussion of this problem is relevant to the issues raised by H.R. 4994.

We have been advised by the Bureau of the Budget that there would be no objection to the submission of this report from the standpoint of the administration's program.

Sincerely,

LAWRENCE JONES,
Acting General Counsel.

GENERAL COUNSEL OF THE TREASURY,
Washington, D.C., November 4, 1963.

Hon. OREN HARRIS,
Chairman, Committee on Interstate and Foreign Commerce,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Reference is made to your request for the views of this Department on H.R. 4994, "to amend the Textile Fiber Products Identification Act and the Wool Products Labeling Act of 1939 in order to require that imported woven labels must have woven into them the name of the country where woven."

The proposed legislation would provide that imported woven labels shall be mislabeled for the purposes of the Textile Fiber Products Identification Act and the Wool Products Labeling Act unless the name of the country where such label was woven is woven into the label before importation. While the Federal Trade Commission is responsible for enforcing the Textile Fiber Products Identification Act and the Wool Products Labeling Act, the bill would seem to provide that the Customs Service have the responsibility to see that imported woven labels are marked as required.

The Bureau of Customs of this Department has ruled that the manufacturer in the United States of articles to which woven labels are affixed is the "ultimate purchaser" of the imported article within the meaning of section 304(a) of the Tariff Act of 1930, as amended, in accordance with the principle of the decision in the case of *United States* v. *Gibson-Thomsen Co., Inc.* (1940) 27 CCPA 267. Woven labels are exempt from individual marking to indicate the country of origin under section 304(a)(3)(D) of the Tariff Act if they are imported in containers legibly and conspicuously marked to indicate the country of origin of the contents and the collector of customs at the port of entry is satisfied that the labels will reach the "ultimate purchaser" in such unopened container.

No evidence has been submitted to the Treasury Department that the exception from marking of woven labels under section 304(a)(3)(D) of the Tariff Act is not appropriate or has resulted in misleading the U.S. "ultimate purchaser" as defined above. If a valid case is to be made, it should be made, in the first instance, to the Treasury Department.

As the President said at the time of the signing of the Trade Expansion Act on October 11, 1962, the best protection possible for our economy is a mutual lowering of tariff barriers among friendly nations so that all may benefit from a free flow of goods. This purpose would be compromised if the United States were to resort to indirect methods (such as unnecessary marking requirements) for restriction of imports. The Treasury Department, therefore, does not favor the enactment of H.R. 4994.

The Department has been advised by the Bureau of the Budget that there is no objection from the standpoint of the administration's program to the submission of this report to your committee.

Sincerely yours,

G. D'ANDELOT BELIN,
General Counsel.

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., November 7, 1963.

Hon. OREN HARRIS,
Chairman, Committee on Interstate and Foreign Commerce,
House of Representatives,
Washington, D.C.

DEAR MR. CHAIRMAN: This refers to your request of April 22, 1963, for comments on H.R. 5662, a bill "to prohibit the introduction into interstate commerce

of any shipping container manufactured in the United States from imported steel unless the container is marked so as to indicate the country of origin of the steel."

H.R. 5662 would require that any steel shipping containers, as defined in the bill, manufactured from imported steel, be stamped with the country or origin of the steel. The manufacturers of such containers would be required to maintain records showing the origin of the steel used. The Federal Trade Commission would be empowered to enforce the proposed act and to assess criminal penalties.

The Departments of State, Treasury, Justice, and Commerce, and the Federal Trade Commission have all opposed H.R. 5662 in their reports to your committee. The Bureau of the Budget concurs in the comments made by the above agencies, and accordingly recommends against enactment of the bill.

Sincerely yours,

PHILLIP S. HUGHES,
Assistant Director for Legislative Reference.

DEPARTMENT OF STATE,
Washington, November 5, 1963.

HON. OREN HARRIS,
Chairman, Committee on Interstate and Foreign Commerce,
House of Representatives.

DEAR MR. CHAIRMAN: This report on H.R. 5662, a bill to prohibit the introduction into interstate commerce of any shipping container manufactured in the United States from imported steel unless the container is marked so as to indicate the country of origin of the steel, is submitted in response to your letter of April 22, 1963.

This bill would declare it to be an unfair and deceptive act or practice in commerce under the Federal Trade Commission Act to introduce into interstate commerce any steel shipping container as defined in the bill (e.g., steel drums and pails) if made in whole or in chief value from imported steel unless such container bears a stamp, with letters at least one-fourth inch in height, showing the country of origin of the imported steel. Manufacturers of steel shipping containers would be required to maintain records showing the origin of all steel used for containers and to preserve the records for at least 3 years. Willful violators of these requirements would be subject to a maximum penalty of $5,000 fine or imprisonment up to 1 year.

The purpose of H.R. 5662, as indicated by sponsors of the bill, is to promote the use of domestically produced steel in the manufacture of shipping containers and to discourage the use of imported steel in such manufactures. The proposed legislation is therefore intended to be restrictive of foreign trade. The reduction of barriers and hindrances to trade is a major foreign policy objective of the United States. Progress toward this objective is especially important in view of our present balance-of-payments difficulties and the recognized need to expand our own commercial exports. Action on our part that has a restrictive effect upon exports of other countries is inconsistent with our declared objective and could readily constitute a basis for similarly restrictive action by other countries.

The expansion of international trade as a fundamental objective of the United States is clearly expressed in the Trade Expansion Act of 1962, as it was in the preceding Trade Agreements Act. Under the latter act, this Government entered into agreements with certain countries binding against increase the existing duties on sheet steel. Restrictive measures of the sort proposed in H.R. 5662 would reduce the advantages which those countries obtained from those trade agreements. It would reduce those advantages because of the added expense and trouble of applying the required marks of origin, because the heavy penalties prescribed would likely cause manufacturers of shipping containers to refrain from purchasing foreign steel, and because the marks of origin would tend to focus prejudice against the marked containers and cause prospective purchasers to refrain from purchasing containers made from imported steel. The adoption by the United States of such restrictive measures could be expected to have an adverse effect upon the climate for the new trade negotiations under the Trade Expansion Act.

Heretofore, requirements as to marks of origin have been imposed under U.S. law for the most part upon articles produced abroad. H.R. 5662 goes much

further, however, and proposes to impose a marking requirement because of the use in a product manufactured in the United States of a material produced abroad. This bill, if enacted, would set a very troublesome precedent. If the rule were imposed generally that U.S. products must be labeled to indicate the place of origin of all of the foreign materials used, the task of labeling for many manufacturers (of automobiles, for example) would be an extremely onerous one.

For the reasons outlined above, the Department of State is opposed to the enactment of H.R. 5662.

The Bureau of the Budget advises that from the standpoint of the administration's program there is no objection to the submission of this report.

Sincerely yours,

FREDERICK G. DUTTON,
Assistant Secretary
(For the Secretary of State).

GENERAL COUNSEL OF THE DEPARTMENT OF COMMERCE,
Washington, D.C., November 5, 1963.

Hon. OREN HARRIS,
Chairman, Committee on Interstate and Foreign Commerce,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This is in further reply to your request for the views of this Department with respect to H.R. 5662, a bill to prohibit the introduction into interstate commerce of any shipping container manufactured in the United States from imported steel unless the container is marked so as to indicate the country of origin of the steel.

The Steel Shipping Container Identification Act, as it is called, would require all steel drums and pails (as defined in the bill) manufactured in the United States from imported steel to be stamped with the country of origin of the steel. Every manufacturer of such containers must maintain proper records showing the origin of the steel used in all the steel shipping containers made by him.

The Federal Trade Commission would be empowered to enforce the act and to assess the appropriate penalties for its violation. Provision is made for the willful or deceptive alteration of any mark of origin placed on a steel shipping container. Willful failure to comply would be punishable by a fine of not more than $5,000 or imprisonment up to 1 year.

The Department of Commerce supports the long-established requirement now embodied in section 304 of the Tariff Act of 1930 that, recognizing certain exceptions, each imported article produced abroad must be legibly marked with the name of the country of origin in English so as to indicate to the ultimate purchaser in the United States where the article was originally produced or manufactured. Although H.R. 5662 does not specifically amend the Tariff Act of 1930, it has the indirect effect of redefining the "ultimate purchaser" as understood by the act. Broadly stated, an ultimate purchaser may be defined as the last person in the United States who will receive the article in the form in which it was imported. In the case of imported articles used in manufacture, the manufacturer is regarded as the ultimate purchaser.

In accordance with U.S. customs laws, bundles or coils of foreign sheet steel are marked to indicate the country of origin. Similarly, imports of fabricated or manufactured steel products that are to be sold at retail require a marking, since the ultimate purchaser is the purchaser at retail.

To go further than the present law, and to require that any shipping container manufactured in the United States from imported steel be marked with the country of origin, appears to be unnecessary. Such a requirement would be inconsistent with the spirit of section 304 of the Tariff Act of 1930. It is also inconsistent with the administration's policy of striving to reduce impediments to international trade.

For these reasons, the Department of Commerce recommends against the enactment of H.R. 5662.

We have been advised by the Bureau of the Budget that there would be no objection to the submission of this report from the standpoint of the administration's program.

Sincerely,

LAWRENCE JONES,
Acting General Counsel.

FEDERAL TRADE COMMISSION,
Washington, November 4, 1963.

HON. OREN HARRIS,
Chairman, Committee on Interstate and Foreign Commerce, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your letter of April 22, 1963, requesting the Federal Trade Commission to comment on H.R. 5662, 88th Congress, 1st session, a bill to prohibit the introduction into interstate commerce of any shipping container manufactured in the United States from imported steel unless the container is marked so as to indicate the country of origin of the steel.

The bill would make it an unfair method of competition and a deceptive act or practice in commerce under the Federal Trade Commission Act for a manufacturer of steel shipping containers to introduce them into commerce when the "container is manufactured in the United States in whole or in chief value from steel made outside the United States," unless the container is properly marked to indicate that the steel is of foreign origin. The bill contains specific definitions of a "shipping container."

The bill also makes it a violation of the Federal Trade Commission Act to change or re-mark such marking for the purpose of hindering or preventing other persons from obtaining the information given by such mark. Records showing the origin of the steel so used would be required to be kept by manufacturers of such steel shipping containers; the failure to do so would constitute violations identical to those above mentioned.

The bill further provides for the imposition of certain sanctions, including criminal penalties, for violations thereof.

The Commission is of the view that existing provisions of law, as construed and applied by the Commission and the courts, are adequate to protect consumers against material deceptions concerning the place of origin of imported merchandise.

In respect to the foreign policy questions raised by this proposed legislation, the Commission defers to the views expressed by the Department of State.

Commissioner Anderson dissents from the expressions herein, and favors enactment of the subject bill.

By direction of the Commission.

PAUL RAND DIXON, *Chairman.*

N.B.—Pursuant to regulations, this report was submitted to the Bureau of the Budget on July 16, 1963, and on November 1, 1963, the Bureau of the Budget advised that there is no objection to the submission of this report from the standpoint of the administration's program.

JOSEPH W. SHEA, *Secretary.*

THE GENERAL COUNSEL OF THE TREASURY,
Washington, D.C., November 4, 1963.

HON. OREN HARRIS,
Chairman, Committee on Interstate and Foreign Commerce,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Reference is made to your request for the views of this Department on H.R. 5662, to prohibit the introduction into interstate commerce of any shipping container manufactured in the United States from imported steel unless the container is marked so as to indicate the country of origin of the steel.

The proposed legislation is intended to require that the name of the country of origin be marked on shipping containers manufactured in the United States from imported steel.

Since the bill is concerned with articles which are manufactured in the United States, the Department has no enforcement jurisdiction. Rather the enforcement of the bill would be vested in the Federal Trade Commission.

Imported articles which are used by manufacturers in the United States in the manufacture of new or different articles are excepted from marking, under the customs laws, to indicate the country of origin, if imported under circumstances which will assure that the manufacturer is aware of the country of origin of the imported materials, and there is no requirement under the customs laws that the new articles be marked to indicate the foreign origin of the ma

terial from which they are produced. To require that shipping containers manufactured in the United States from imported steel be marked to indicate the country of origin of the steel would thus appear to discriminate against manufacturers of shipping containers who use imported steel.

The Department would be opposed to the passage of H.R. 5662. The bill is apparently designed to discourage the purchase of containers made from imported steel. It is our opinion that this would constitute a trade barrier of the kind inconsistent with the administration's policy of trade expansion and would hinder efforts to secure relief for U.S. exports from foreign nontariff trade barriers. Further, it is believed that special legislation is unnecessary in that relief in the form of trade restrictions and adjustment assistance is available to a distressed domestic industry under the Trade Expansion Act.

The Department has been advised by the Bureau of the Budget that there is no objection from the standpoint of the administration's program to the submission of this report to your committee.

Sincerely yours,

G. D'ANDELOT BELIN,
General Counsel.

U.S. DEPARTMENT OF JUSTICE,
OFFICE OF THE DEPUTY ATTORNEY GENERAL,
Washington, D.C., November 4, 1963.

Hon. OREN HARRIS,
Chairman, Committee on Interstate and Foreign Commerce,
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: This is in response to your request for the views of the Department of Justice concerning the identical bills (H.R. 5662, H.R. 5673 and H.R. 5675) "to prohibit the introduction into interstate commerce of any shipping container manufactured in the United States from imported steel unless the container is marked so as to indicate the country of origin of the steel."

These bills would prohibit the introduction into interstate or foreign commerce of steel drums or pails, of a certain size, manufactured in the United States, in whole or in chief value, from imported steel, unless they are marked to indicate the country of origin of the steel. They would likewise prohibit the obscuring or destroying of any such mark with the purpose of hindering or preventing other persons from obtaining the information given by the mark. Manufacturers of such containers would be required to keep records for at least 3 years showing the origin of the steel. A willful violation of the proposed law would constitute a misdemeanor, punishable by a fine of up to $5,000 and/or a maximum jail sentence of 1 year. Further, noncompliance with the prohibitions of section 3 and the requirements of section 4 are characterized as unfair competition and unfair trade practices under the Federal Trade Commission Act.

Section 304 of the Tariff Act of 1930 (19 U.S.C. 1304) imposes the duty of marking every ready-to-sell article of foreign origin imported into the United States in such manner as to indicate to an ultimate purchaser in the United States the English name of the country of origin. In addition, there are laws requiring that a part of an imported article or domestic article be marked to inform the consumer of quality. (See, for example Public Law 87-354, approved October 4, 1961, an act "to facilitate the protection of consumers of articles of merchandise composed in whole or in part of gold or silver from fraudulent misrepresentation concerning the quality thereof, and for other purposes.") However, we are aware of no provision of existing law which prescribes the marking, as would be required by these bills, of an article manufactured in the United States from imported material. In doing so, the bills would place upon the manufacturers of certain steel containers the burden and expense of marking the containers and keeping books under pain of criminal penalties, while the manufacturers of other containers and other products made from imported materials would not be so burdened. In the absence of any information demonstrating the need for such distinctive treatment, the Department of Justice is unable to recommend enactment of this legislation.

The Bureau of the Budget has advised that there is no objection to the submission of this report from the standpoint of the administration's program.

Sincerely yours,

NICHOLAS DEB. KATZENBACH,
Deputy Attorney General.

Mr. STAGGERS. Our first witness this morning will be our colleague, the Honorable Kenneth Roberts of Alabama.

Mr. Roberts.

STATEMENT OF HON. KENNETH A. ROBERTS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ALABAMA

Mr. ROBERTS. Mr. Chairman, I appreciate the opportunity of appearing before the subcommittee today in support of H.R. 5673 which I introduced, and H.R. 5662 and 5675 introduced by my colleagues, Mr. Curtin, a member of this subcommittee, and Mr. Rostenkowski, also a member of the full committee.

These identical bills would prohibit the introduction into interstate commerce of any shipping container which has been manufactured in the United States chiefly from imported steel unless the container is marked so as to indicate the country of origin of the steel.

This proposed legislation has two broad objectives, namely, (1) to permit the buyers of steel shipping containers to know when foreign steel is used in the manufacture of these containers and (2) to promote the use of steel produced in this country.

In my opinion, these are highly desirable and worthwhile objectives in view of certain grave problems with which the Nation and the steel industry are confronted today.

Through 1957, the United States exported substantially more steel than it imported. However, in the period 1958–62, imports of steel into the United States nearly tripled in volume, rising to 9 percent of world imports, compared to 4 percent in the earlier period.

Thus, whereas world trade in steel mill products continued to increase throughout the period, reaching 44 million tons in 1962—nearly triple the 1950 volume—U.S. exports have tended to stagnate at approximately 2 million tons, and U.S. imports to rise to a level of above 4 million tons per year. In fact, for 1963, imports are expected to exceed 5 million tons for the first time.

The fact that this country has changed from a net exporter to a net importer of steel mill products has had an adverse effect on our balance of payments and employment in steel and related industries.

It has been estimated that if the American steel industry had maintained its 1953–57 average participation in world export trade, and had prevented further erosion of its markets by imports, the industry in 1962 alone would have provided employment for an additional 50,000 workers and paid out over $350 million in wages and salaries.

The unfavorable imbalance in our steel exports and imports stems from competitive factors which show little promise of diminishing in the years immediately ahead.

The current trend, in fact, will probably accelerate. The differences in employment costs, tariff structures, nontariff trade carriers and export subsidies, credit costs, and governmental regulatory policies in this and other countries of the world present obstacles to the domestic steel industry which are extremely difficult for it to overcome in its battle for consumer markets.

I am advised that the steel shipping container industry is second only to the automotive industry in consumption of sheet steel in the

United States. In a typical year, manufacturers of such containers consume in excess of 1 million tons of steel. Price competition within the industry is severe. Manufacturers utilizing imported steel can substantially undercut in price those of their competitors who support to a large extent the basic domestic steel markets.

It seems clear to me from the information available that this poses a grave threat to not only these industries, but to our economy as well. In my opinion, some incentive should be provided to utilize domestic steel in the manufacture of these containers, but clearly an incentive which is in no way punitive in character.

The Steel Shipping Container Identification Act would, I believe, provide an indirect incentive of this nature, for the following reasons.

Section 304(a) of the Tariff Act of 1930, as amended, requires—subject to certain exceptions—that every article of foreign origin—or its container—imported into the United States be plainly marked so as to indicate to the ultimate purchaser in the United States the name of the country of origin.

For the purposes of the act, the "ultimate purchaser" is ordinarily viewed as the last person in the United States who will receive the article in the form in which it was imported.

Since the manufacturer of steel shipping containers is the "ultimate purchaser" of the steel in the form in which it is imported, he must ordinarily be put on notice of the country of origin of the steel.

However, there is no requirement that the manufacturer in turn mark the steel containers so as to convey this information to the purchasers of such containers. The Steel Shipping Container Identification Act would require the manufacturer to provide this information for the benefit of those customers to whom such information is pertinent in exercising their freedom of choice.

This legislation would in no way affect tariff rates or other customs regulations. The act provides that a violation of its provisions constitutes an unfair method of competition and an unfair and deceptive act or practice in commerce under the Federal Trade Commission Act.

Enforcement is therefore lodged with the Federal Trade Commission, which is equipped to administer other legislation requiring the labeling of certain products.

You gentlemen on the committee of course are familiar with the Textile Fiber Products Identification Act, the Fur Products Label Act, and the Wool Products Labeling Act.

While I might say that these acts are not certainly identical, and steel, as we recognize, is of course a homogeneous product and differs, therefore, from the products covered in those three bills, the incentive provision I think in this legislation is quite the same and I believe that in this way we could protect our own economy and our own industry, and certainly our own workers.

Thank you, Mr. Chairman.

Mr. STAGGERS. Thank you, Mr. Roberts.

Any questions, Mr. Van Deerlin?

Mr. VAN DEERLIN. No thank you, Mr. Chairman.

Mr. STAGGERS. Mr. Glenn?

Mr. GLENN. No questions, Mr. Chairman.

Mr. STAGGERS. Mr. Curtin.

Mr. CURTIN. Thank you, Mr. Chairman.

I am most happy to have Mr. Roberts as an ally in this legislation and I feel that the need for it is shown by the fact that three of the members of this committee have introduced bills for it. I think this is important and I think that Mr. Roberts has very forcefully shown the reason and need for it.

Thank you, Mr. Roberts, for appearing before us today.

Mr. ROBERTS. Thank you, Mr. Curtin.

Mr. STAGGERS. I want to ask you one question, if I may.

Your State produces steel and manufactures steel?

Mr. ROBERTS. Yes.

Mr. STAGGERS. And this does affect the economy of your State?

Mr. ROBERTS. Yes.

Mr. STAGGERS. As well as many other States in the Union?

Mr. ROBERTS. I would say yes.

Mr. STAGGERS. This only carries out the provision that perhaps is identified, as you say, in the Wool Products Labeling Act and other acts?

Mr. ROBERTS. It is a similar provision, Mr. Chairman.

Mr. STAGGERS. I congratulate the gentleman from Alabama in being diligent in his duties in looking out for not only his constituents, but for other people of our country.

Thank you for your testimony.

Mr. ROBERTS. Thank you, Mr. Chairman.

Mr. STAGGERS. We have our colleague, Mr. Curtin, with us, should he care now to give us the benefit of his views on this bill. It is an honor to have you testify, not only as a representative of your people, but as a member of our committee. We are glad to hear from you today.

Mr. CURTIN. Thank you, Mr. Chairman.

STATEMENT OF HON. WILLARD S. CURTIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. Chairman and gentlemen of the subcommittee, I welcome this opportunity to appear before you today in reference to the legislation which has been introduced for the identification of steel shipping containers.

As you know, H.R. 5662, introduced by myself, is one of three similar bills. Bills have also been introduced by two other members of this important committee; the Honorable Kenneth A. Roberts has introduced H.R. 5673, and the Honorable Dan Rostenkowski has introduced H.R. 5675. As mentioned above, all of these bills are on this subject of labeling of steel containers.

H.R. 5662 was introduced for two basic purposes: First, to promote the continued use of domestic steel to the end that American industry and labor will not suffer the loss of dollars and man-hours caused by the use of foreign steel in the fabrication of steel drums and pails.

Second, to assist the manufacturers of steel drums and pails in continuing to use domestic steel and to alleviate the demoralizing price dilemma posed by users of foreign steel, who may undersell the user of American steel without having to disclose that the price differential is not due to superior technology and know-how—but simply due to his using foreign steel in drums and pails to be sold to domestic purchasers.

To accomplish these goals, we do not propose to raise tariffs or arbitrarily exclude foreign steels—we merely want to inform the purchaser of steel drums and pails and let him make his decision based upon all the facts and considerations which provide the basis for a business decision as to what drums and pails he'll buy.

The act would require that the manufacturers of steel shipping containers from foreign steel indicate the country of origin of the steel on the container. It has been suggested that, rather than merely stamping this information on the container, it should be embossed thereon—this would minimize the risks of destruction or concealment of the marking.

The act would authorize the Federal Trade Commission to enforce the marking requirements—the failure to comply with the act would be an unfair trade practice. The Federal Trade Commission is particularly suited for the administration and enforcement of this act because it is generally similar to other labeling acts under its authority.

In addition, since the marking will take place after the containers have been fabricated from the imported steel, the Federal Trade Commission, with its nationwide network of offices, is best suited at present to enforce such an act.

The public must be able to use American-made steel products if it wishes. This bill leaves the choice entirely up to the private sector of the economy. This measure cannot be called an act discriminating against, or restricting, foreign trade, or imported products. It is like the description of ingredients on food and drug containers—the purpose of the law is information.

The present level of production among American steel producers adds to the urgency of the present position. Unemployed steelworkers and hard-pressed manufacturers caught in the cost-price squeeze must be adequately protected through the efforts of other citizens to spur a demand for their product.

This is not a restraint of free trade. The public still makes the decision—but with this legislation, a concerned public will have the information so that it may make a meaningful decision.

I thank you for your attention and respectfully request that the legislation represented by these three bills be given early and favorable consideration by this subcommittee.

Mr. STAGGERS. Thank you, Mr. Curtin.

Mr. Van Deerlin?

Mr. VAN DEERLIN. No questions, Mr. Chairman.

Mr. STAGGERS. Mr. Glenn?

Mr. GLENN. Just one question, Mr. Curtin.

How serious is the importation of foreign steel in your area?

Mr. CURTIN. It is a real problem, Mr. Glenn. I know something of the problem because, in my district, I find that the cost of bringing foreign steel into this country is such that it creates unfair competition with the local steel mills. Our local mills—and I have a very large steel mill in my district, the Fairless plant, as well as many constituents who work in the Bethlehem Steel plant in Bethlehem, Pa., which is adjacent to my district—are really caught in this competition problem because they just cannot produce steel in this country to meet the competition of steel made in foreign countries.

Mr. GLENN. Thank you, Mr. Chairman.

Mr. STAGGERS. Mr. Curtin, I will ask you, as I did Mr. Roberts, if your State is a producer of steel.

Mr. CURTIN. Very much so.

Mr. STAGGERS. I imagine, in fact, it is one of the foremost steel producing or steel manufacturing States in the Union?

Mr. CURTIN. I think that is true.

Mr. STAGGERS. And steel is one of the fundamental industries of America.

Mr. CURTIN. That is correct, sir.

Mr. STAGGERS. As I understand your testimony, you are not advocating raising tariffs or taking any other action which would reduce the flow of imported steel or restrict trade with the steel producers. You want only to provide that the American consumer knows where the steel comes from.

Mr. CURTIN. That is right, sir.

Mr. STAGGERS. That is not in any way to prohibit the steel from coming in, but only to provide that the American citizen will know what he is buying.

Mr. CURTIN. That is correct. It in no way restricts the right of a person to buy steel from a foreign country if he so desires, but it does say that the ultimate consumer should know where that steel is from and let him make the final decision.

Mr. STAGGERS. This has nothing to do with tariffs, restrictions of trade, or anything like that.

Mr. CURTIN. That is right, sir.

Mr. STAGGERS. Fine. I want to compliment you also for your testimony on behalf of your constituents affiliated with one of the basic industries of America.

Thank you, Mr. Curtin.

Mr. CURTIN. Thank you, sir.

Mr. STAGGERS. The next witness is another colleague on the entire committee, the Honorable Dan Rostenkowski of Illinois. Mr. Rostenkowski, we will be glad to hear you at this time.

STATEMENT OF HON. DAN ROSTENKOWSKI, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. ROSTENKOWSKI. Mr. Chairman, I appreciate this opportunity to appear before your committee in support of my bill, H.R. 5675, and smilar legislation, which may be cited as the Steel Shipping Container Identification Act. The purpose of this bill is to prohibit the introduction into interstate commerce of any shipping container manufactured in the United States from imported steel unless the container is marked so as to indicate the country of origin of the steel. Section 3 (a) states:

> It shall be unlawful and shall be an unfair method of competition and an unfair and deceptive act or practice in commerce under the Federal Trade Commission Act for any manufacturer of steel shipping containers to introduce any such container into commerce, directly or indirectly, whenever such container is manufactured in the United States in whole or in chief value from steel made outside the United States, unless such container bears stamped thereon in letters not less than one-fourth of an inch in height the legend "Steel used in the manufacture of this was made in —

with the first blank space being filled with the appropriate designation of the container, and the second blank space being filled with the name of the foreign country in which such steel was made.

Presently there are some manufacturers using imported steel in the manufacture of steel containers. Because of a differential in the cost of producing steel in this country as compared to foreign markets, the price for steel used in manufacturing containers creates unfair competition in the sale of the finished product. Manufacturers using foreign steel can undersell a manufacturer using steel produced in the United States. The Steel Container Institute, Inc., has sought relief from both the Bureau of Customs and the Federal Trade Commission to have foreign steel labeled as to the source of production. However, they discovered that, under present law, containers made in the United States from steel imported from foreign countries need not indicate the origin of the foreign steel. This bill would require labeling containers made with foreign steel. In no way does it control prices of steel. Congress has already enacted legislation to specifically authorize the Federal Trade Commission to require labeling in specific industries; namely, furs, woolen goods and textile fibers. This bill acts in the same way; therefore, I request it be favorably considered at this time.

Mr. STAGGERS. Are there any questions? If not, we thank you for your appearance and testimony, Mr. Rostenkowski.

Mr. ROSTENKOWSKI. Thank you for the opportunity, Mr. Chairman.

Mr. STAGGERS. The next witness will be Mr. Livingston Keplinger.

Mr. Keplinger, I understand you reside in Mr. Curtin's district so we will let Mr. Curtin welcome you.

Mr. CURTIN. Mr. Keplinger, we are very happy to have you before this subcommittee today. I am particularly pleased to welcome you since you live in our fine Eighth Congressional District of Pennsylvania. You are a very representative member of the citizenry of that district and so it is a real pleasure to have you appear before us today and give us the benefit of your views in reference to this legislation.

STATEMENT OF LIVINGSTON KEPLINGER, PRESIDENT OF THE STEEL SHIPPING CONTAINER INSTITUTE, INC.

Mr. KEPLINGER. Thank you, Mr. Curtin and Mr. Chairman, and gentlemen.

I am Livingston Keplinger, president of the Steel Shipping Container Institute, Inc. I am appearing today on behalf of the institute to strongly endorse the Steel Shipping Container Identification Act.

The institute has 30 members which manufacture steel shipping containers; these members fabricate in excess of 90 percent of all steel shipping containers made in the United States.

It should be emphasized at the outset that the institute has a wide diversity in the size of its members. Of particular significance with respect to the present bill is the fact that only four of our members are owned by major basic steel companies; thus, the great majority of our members are independent purchasers of steel sheets used to manufacture steel shipping containers.

Indeed, the largest national multiplant operation is an independent company whose stock is listed on the New York Stock Exchange.

The products of the steel shipping container industry are "drums" and "pails" used primarily in transportation. A "drum" is defined by the Department of Commerce as any single walled container or bilged container of 13 to 110 gallons' capacity constructed of steel sheet inclusive of all gages.

A "pail" is likewise defined as any steel shipping package with or without bail and handle, having a capacity of 1 to 12 gallons, inclusive, constructed of steel sheet 29 gage or heavier.

The estimated annual capacity of the industry is 60 million heavy drums, 20 million light drums, and 125 million pails. It is estimated that peak operation of the steel shipping container industry would require 3 million tons of steel annually. For reasons which will be developed in due course, the production of steel shipping containers has been substantially less than full capacity.

The Steel Shipping Container Institute strongly supports the Steel Shipping Container Identification Act's aims of affording to the buyers of steel shipping containers information as to the origin of the steel used in the manufacture of the containers and permitting the continued use of domestic steel by the members of our industry without fear of constantly increasing price disintegration due to cheap foreign steel.

At present, the customs laws require the marking of finished steel shipping containers upon entry into this country to indicate the country of origin of the containers.

Likewise, steel sheets must be marked upon entry into this country if they have been produced abroad. However, when the steel sheet has been further processed into a steel shipping container, it loses its foreign character under present law and need not be labeled or identified in any way. This conclusion has been confirmed by both the Bureau of Customs and the Federal Trade Commission.

This situation allows the use of cheap foreign steel in containers without any indication that such steel is in fact being used. When a company uses foreign steel it acquires a significant economic advantage in the form of the differential between the cost of foreign and domestic steel.

For instance, since the cost of steel is in excess of 50 percent of the total cost of manufacturing a 55-gallon drum, this price differential may affect the selling price of such a drum by 30 to 60 cents, or 8 to 10 percent of the total selling price thereof.

The user of American steel is then forced to attempt to meet these lower prices—lower prices due solely to the importation of foreign steel—under the penalty of possible operating losses or, as a matter of self-preservation, is compelled to buy foreign steel to remain economically alive.

Indeed, as time passes, it becomes more apparent that the importation of foreign steel may well afford the only means by which the members of our industry, particularly the smaller members, may remain in business. This conclusion, while it may appear to be extreme, is sustained by the conditions existing in the steel shipping container industry.

First, the steel shipping container industry has been depressed for some time; during the past 5 years, approximately 33⅓ percent of the total capacity of our industry has been utilized. Quite naturally, price competition has been severe and profits cut to a minimum.

Thus, it is virtually impossible, particularly for smaller firms, to cut prices still further to meet this increasing advantage of their competitors who have turned their backs on domestically produced steel while at the same time selling their products to domestic purchasers.

Second, all steel shipping containers within the scope of the proposed act are subject to the jurisdiction of the Interstate Commerce Commission and must be approved for use by the official, southern, western classification committees and by the bureau of explosives as agents for the railroads and by the National Classification Board for shipments by truck. After securing the approval of these groups, steel shipping containers must meet a detailed set of specifications adopted by the American Standards Association—these specifications cover everything from gage and physical specifications of the steel sheet and quality and thickness of the paint, to the closing devices to be used.

As a consequence, a manufacturer of steel shipping containers cannot design, redesign, alter, or substitute materials to regain competitive equality with the users of cheap foreign steel.

Third, even if a manufacturer is successful in developing a new design which would benefit him, a substantial period of time must pass before the idea may be developed, tested, and finally approved by the various regulatory and quasi-regulatory bodies.

For instance, the institute has been actively engaged for 5 years in a research program to develop a new light-gage 55-gallon drum. If, as it is hoped, shipping tests prove to be satisfactory in the near future, it is expected that approval of one agency may be obtained and, after an additional 6-month period, full approval may be secured.

Thus, development of this product up to ICC approval will have taken 5½ years; an additional year will then be required to get the new container into production.

Fourth, because of the weight and size of steel shipping containers, manufacturers must be located close to their customers. Consequently, container manufacturers have not been able to expand their markets abroad to secure new foreign business or to retain former domestic business which has been relocated abroad.

Thus, the manufacturer of steel shipping containers, who desires to use domestically produced steel is faced with an extremely demoralizing price dilemma—he must meet or come close to meeting the price of his competitors who use cheap foreign steel because his products are by regulation and circumstance marketed as commodities, yet he can find no way in which to overcome the price differential enjoyed by his competitors who use foreign steel, a price advantage not due to superior technology but due solely to the fact that they import foreign steel.

The effect to the American economy in terms of dollars and man-hours lost of a continued increasing use of foreign steel in this industry which has consumed 1,250,000 tons of steel a year or 1¼ percent of all finished steel produced in the United States, is obvious.

Indeed, the last 5 years have shown a general trend toward greater amounts of hot and cold rolled sheets being imported; Department of Commerce figures show that average total tons of such products imported into the United States for each year during the period 1959–62

was about 180,240 tons as compared with 27,640 tons for each year during the period of 1956–57 or 1957–58.

In the light of the previous discussion, there is every reason to believe that this trend will continue at an accelerated pace. The first quarter of 1963 saw a total of 78,000 tons of hot and cold sheet imported into the United States which, at an annual rate, is double that of 1962 and is more than the total annual imports for the combined years of 1956 through 1958.

Indeed, foreign manufacturers of steel are continuing stepped up campaigns to secure a larger and larger share of sheet steel to be used by steel shipping container manufacturers.

The Steel Shipping Container Identification Act requires that shipping containers made from foreign steel be marked so as to indicate the origin of the steel used in the container—it in no way affects existing tariff rates nor does it penalize the manufacturer or the purchaser of such containers.

This act is intended to allow the purchasers of steel shipping containers to learn the source of the steel used in the container. Of course, it is anticipated that many domestic purchasers will be inclined to buy containers made from American steel, but the decision will be up to the customer based upon all of the business considerations involved in such a situation.

The administration and enforcement of the act is delegated to the Federal Trade Commission because of the fact that the marked steel shipping containers manufactured in the United States from foreign steel cannot be checked at ports of entry by the Bureau of Customs and because the act is generally similar to other labeling acts under the authority of the Federal Trade Commission.

The recordkeeping, enforcement, and criminal penalty provisions in the act are similar to the previously enacted labeling acts covering wool products, fur products, and textile fiber products administered by the Federal Trade Commission.

It should be noted that the institute has recommended one minor change in the act as it was originally proposed. This amendment would require that the required marking be embossed on the top head of the container rather than merely stamped thereon. This would make the marking more readily visible to interested customers and would make destruction or removal of the marking virtually impossible.

At present, the ICC requires that other types of information be embossed on containers for the same reasons as set forth above.

In conclusion, I strongly endorse the Steel Shipping Container Identification Act. The act will afford relevant and important information to our customers. This act will undoubtedly strengthen the position of the American manufacturer of steel shipping containers who desires to use domestically produced steel wherever possible—the act will assist the members of our industry in minimizing a demoralized price structure resulting from the increasing use of foreign steel.

While we are not the direct beneficiaries of the act as it applies to the basic steel industry and its employees who produce the 1 million or more tons of steel used in our industry each year we unhesitatingly acknowledge our deep interest in the welfare and continuing pros-

perity of the basic steel industry and the prevention of the loss of jobs by its working people in the United States.

Indeed, all Americans have an important interest in the promotion of industry, the expansion of employment and the prevention of unemployment in this country, and we submit that this bill is not only consistent with these purposes but significantly contributes to their fulfillment.

Thank you, Mr. Chairman, and gentlemen.

Mr. STAGGERS. Any questions of Mr. Keplinger?

Mr. VAN DEERLIN. Mr. Keplinger, under this bill would we be relying on the patriotic fervor of steel consumers to reduce the use of imported steel?

Mr. KEPLINGER. I don't think it would be exactly that. I think it is a matter, as the bill says, of knowing what they are buying. The logical assumption from that is that a buyer who buys foreign steel or a drum made from foreign steel would want the price himself so that in the end the person who was demoralizing the price structure by pocketing the price or using it to cut prices would be eliminated.

Mr. VAN DEERLIN. Is there a real question of inferior product from imports in connection with these containers?

Mr. KEPLINGER. Unfortunately, we have spent so much of our money to make good steel mills in some of these countries that that is no longer a problem.

Mr. VAN DEERLIN. So that the imported product in most cases will stand up under safety tests and other tests?

Mr. KEPLINGER. To the best of my knowledge.

Mr. VAN DEERLIN. The reason I have taken this line of questioning is that I recall a few years ago when the tuna industry in my district was in trouble. We made a big thing about labeling Japanese tuna and making sure that store owners indicated which were San Diego caught tuna and which were Japanese, and what we learned there was that the housewife didn't give a good gosh darn. She went ahead and if she could get it for a penny cheeper, the fact that she might even live in the same neighborhood with these tuna fishermen didn't make a bit of difference.

I wonder if you are not up against the same problem here, which is that people will shop for price?

Mr. KEPLINGER. That is very possible and we don't restrict them in any way if that is their final decision.

Mr. VAN DEERLIN. In which case what we might be doing is setting up more governmental intrusion into the bookkeeping and labeling processes of industry to accomplish perhaps nothing at all.

I wondered if maybe you had some psychologists who had been consulted on this subject who would suggest whether this might accomplish what you are after.

Mr. KEPLINGER. I am sorry, we haven't gone that far with seeking information on this, but it doesn't seem to be a logical assumption. I think that the purchasers of the containers are primarily basic steel industries.

This isn't something that goes out into the retail distribution. This is a service product, delivering to manufacturers primarily, and I don't think that the question you raise would be applicable to the average manufacturer.

I have the list of our major industries which purchase drums if you would be interested.

Mr. VAN DEERLIN. It might be even more so. It might be that the average manufacturer is even more closely attuned to saving a buck than my wife is, for example, though I wish that were not so.

Mr. KEPLINGER. If it were true he would know that he is saving the buck by reason of the importation of the Japanese steel. It woudn't go into somebody else's pocket who was profiting at the expense of our users in this country.

He is entitled I think to have that knowledge.

Mr. VAN DEERLIN. This bill provides, I assume, only for primary labeling; that is, labeling at the primary source of the imported product. It would say, for example, steel from Japan. It wouldn't indicate where Japan got the scrap to make the steel with, or where the scrap had its origin.

Mr. KEPLINGER. The indication would be the same as appears on the coil or the bundle when it comes in from the country of origin. We would duplicate that information that is now required by the Customs Department.

Mr. VAN DEERLIN. Thank you, Mr. Chairman.

Mr. STAGGERS. Mr. Glenn?

Mr. GLENN. Mr. Keplinger, I am amazed at the reported steel container production of one-third of total capacity during the last 5 years. How does this compare with the steel industry generally?

Mr. KEPLINGER. It is hardly comparable, sir, because this is a single-purpose industry and both during the war and the Korean episode, which I understand is not a war, the capacity was greatly increased by means of Federal loans to a large degree, so that a capacity has been built up in a single-purpose industry beyond what is now its normal requirement.

Based upon the last 5 years or the period since 1957 there has been a decline of approximately 10 percent overall in the production from that date, so that it is difficult to know exactly what we would call a normal volume in this business except it is down from its own peak, excluding military use.

Mr. GLENN. What would be the method of identification on the containers?

Mr. KEPLINGER. It would be an embossment on the top panel which would cost the manufacturer nothing more than the cost of the die because it would be embossed with the stamping at the head.

Mr. GLENN. What would it say?

Mr. KEPLINGER. What would it say?

Mr. KEPLINGER. Sir?

Mr. GLENN. What would it say?

Mr. KEPLINGER. It would say, "Steel used in the manufacture of this————was made in————."

Mr. GLENN. Would it say anything about where it was manufactured, like, "Made in the United States of America."

Mr. KEPLINGER. That has to be on the bottom of every drum by the Interstate Commerce regulation, so that is automatically there. It says who made it and they are made under a code, under the maker's symbol, which is registered with the Interstate Commerce Commission.

Mr. GLENN. And your identification proposed in this bill would be elsewhere on the container?

Mr. KEPLINGER. This would be on the top versus the maker's identification on the bottom where it is customarily put.

Mr. GLENN. Thank you. Thank you, Mr. Chairman.

Mr. STAGGERS. Mr. Curtin?

Mr. CURTIN. Thank you, Mr. Chairman. I have no questions. However, I do wish to congratulate Mr. Keplinger on a very informative statement.

Mr. KEPLINGER. Thank you, Mr. Curtin. Thank you, Mr. Chairman, and gentlemen.

Mr. STAGGERS. Thank you, Mr. Keplinger.

Mr. KEPLINGER. Thank you.

Mr. STAGGERS. Our next witness is Mr. Bruce Aton. Would you please give your name to the reporter and identify your business?

STATEMENT OF BRUCE R. ATON, VICE PRESIDENT, MARKETING CONTAINER DIVISION, RHEEM MANUFACTURING CO.

Mr. ATON. Yes, Mr. Chairman and members of the committee, I am Bruce R. Aton, vice president, Marketing Container Division, Rheem Manufacturing Co.

I do not have a prepared statement but would like to make several comments.

Mr. STAGGERS. Fine. Go right ahead.

Mr. ATON. Rheem Manufacturing Co. is an independent producer with eight plants located from coast to coast. We employ over 1,200 persons in this particular division, manufacturing steel containers. I am appearing in support of the Steel Shipping Container Identification Act. We are well aware of the growing usage of foreign steel for containers as we have been approached on many occasions with offered savings of from $12 to $18 per ton, depending upon the port of entry.

This represents approximately 30 to 50 cents per drum. Incidentally, considering the cost of steel used in a drum, which represents over 50 percent of the selling price, it is a big factor.

Because of regulations governing the manufacture of the drum there isn't much we can do to alter the drum to meet competitive situations. We feel that we are as an efficient producer as anyone in the industry.

However, with the severe competition existing in the industry we have but two alternatives, and that is either to operate at rather unsatisfactory margins, or to use foreign steel. With our sizable annual usage we feel that this would have a marked effect upon the American economy.

Thank you.

Mr. STAGGERS. Thank you very kindly.

Mr. Van Deerlin?

Mr. VAN DEERLIN. Mr. Aton, is there any evidence of support from the main body of the steel industry of this legislation? There will be witnesses for them. Excuse me. No further questions.

Mr. STAGGERS. Mr. Glenn?

Mr. GLENN. I am just curious as to whether or not you still have a plant somewhere in the Philadelphia area, the Trenton area, or somewhere up in the Middle Atlantic section.

Mr. ATON. No, sir. The only east coast plant we have is in New Jersey—Linden, N.J.

Mr. GLENN. Where in New Jersey?

Mr. ATON. Linden, N.J.

Mr. GLENN. Linden?

Mr. ATON. Linden; yes.

Mr. GLENN. Thank you very much.

Mr. STAGGERS. He is interested. He is a New Jersey Congressman.

Mr. Curtin?

Mr. CURTIN. Mr. Aton, did you say that the differential in cost is about 30 cents a drum between the users of the foreign steel and the users of domestic steel?

Mr. ATON. Depending on the location. Again, it can run from 30 to 50 cents, depending on where you use hot rolled, cold rolled, and again the location. That is a range when I say 30 to 50 cents is the saving.

Mr. CURTIN. Doesn't that differential very much affect the source of the steel that is used by the producers of these steel drums?

Mr. ATON. Yes.

Mr. CURTIN. That, in turn, affects unemployment rates among the steelworkers of the United States, does it not?

Mr. ATON. No question about it.

Mr. CURTIN. That is all. Thank you, Mr. Chairman.

Mr. STAGGERS. I was going to ask you about the profit margin on both the steel here and abroad, but you have answered my question by saying that it is from 30 to 50 cents between the two.

I think that is sufficient. Thank you very kindly.

Mr. ATON. Thank you.

Mr. STAGGERS. Our next witness will be Mr. Lawrence F. McKay.

STATEMENT OF LAWRENCE F. McKAY, EXECUTIVE VICE PRESIDENT, THE OHIO CORRUGATING CO., WARREN, OHIO

Mr. McKAY. Mr. Chairman and gentlemen, I am really regretful that the great steel State of Ohio doesn't have a representative on this subcommittee.

I am sure he would concur in many of the other thoughts expressed here this morning.

Mr. STAGGERS. We all represent the State of Ohio on the committee.

Mr. McKAY. Thank you. I am using as a background the statements that preceded me. Hence, this is relatively brief but I hope to the point.

I am Lawrence F. McKay, executive vice president of the Ohio Corrugating Co., of Warren, Ohio. The Ohio Corrugating Co. is a 50-year-old Ohio corporation which for years now has exclusively manufactured steel shipping containers at its one location in Warren, Ohio. It employs just over 200 people and is a totally independent small producer serving the Great Lakes, Ohio River, and middle seaboard industrial areas.

As such, we are vitally concerned with the successful passage of this proposed Steel Shipping Container Identification Act and urge your favorable consideration.

The continuing and expanded use of unidentified foreign steel in the manufacture of steel shipping containers within the United States could force either our use of such or the ultimate closing down of our operations. The difference in the price of foreign steel as known to us and that of our domestic steel suppliers would be such as to wipe out any semblance of profit for us and more than likely would force heavy losses if carried to any extreme.

We operate as modern and as efficient a plant as there is in our industry and pay our employees relatively the same wages and benefits as basic steel under our own United Steelworkers contract.

We are constantly fighting costs to remain competitive and there are just no means by which costs could be further reduced sufficient to meet this foreign steel competition except to use it in lieu of domestic materials.

Warren, Ohio, is a steel town and we live close to the havoc that an expanded use of foreign steel could create in our own local economy which is currently having its own problems with its attendant unemployment, relief, et cetera.

Even more selfishly is the fact that the American steel industry is one of the biggest consumers of products that are shipped in steel containers, so it follows that the less the basic industry produces, the more we, as a container manufacturer would suffer.

We again emphasize the importance of this legislation to our company and our industry and further urge its adoption.

Mr. STAGGERS. Thank you.

Mr. Van Deerlin, any questions?

Mr. VAN DEERLIN. I notice in your third paragraph you say that you might be forced into using foreign products. I take it that means that you don't use any now.

Mr. MCKAY. And don't want to.

Mr. VAN DEERLIN. You have refrained from doing this for what reasons?

Mr. MCKAY. Well, for the general effect we feel it would have on the economy of our own area, our basic industry, and I am a typically buy-American individual.

Mr. VAN DEERLIN. And so that you would be an example of somebody who would be moved by this label not to buy if you knew it was foreign steel?

Mr. MCKAY. No, sir. The labeling is intended to influence, if possible, the buyer of the container. We can only do what competition forces us. This labeling is simply an incidental way of indicating to the ultmate buyer and consumer that this container has been made of foreign steel.

Mr. VAN DEERLIN. But you have thus far resisted the temptation to effect savings in your operation by sticking to American steel and not using any imported steel?

Mr. MCKAY. That is correct. I believe what I am trying to emphasize here in my particular statement is that the expanded use of foreign steel would bring this about. It is now affecting us. There is no question about this. And affecting us adversely. It is not yet at

a clamorous state, but this sort of thing snowballs and it can snowball very readily and very easily.

If you want to take a minute I can probably give you an example. Let me say this: If you permit me a few round figures here and there and some poetic license maybe I can draw a picture for you.

The container industry per se, whether it is steel, paper, glass, tin, or what have you, is a low-profit, high-volume industry. We must depend on volume. A simple reading of any financial statement of anybody in the container industry will support this and a reading of the Dun & Bradstreet report covering our own company could substantiate it.

While I don't want to give away any specific secrets at this point, as they might affect the operations of our own company, let me say that we operate, and have for years, on about a 2-percent profit on our sales.

Now, I am not talking prices here, but the general area in which a 55-gallon, 18-gage drum sells is $6. At least that is the price we are able to get and I assume our competition is doing about likewise or we would be hearing about it. Two percent of $6 is 12 cents.

Let's put together some other figures that have been mentioned here today. From what we know of the cost or the price at which foreign steel could be obtained, even in Great Lakes ports, is such that it would wipe out this profit entirely.

Say, the savings in the use of foreign steel is 30 cents a drum or even 25 cents a drum. Our 12-cent profit immediately turns in to a 12-cent loss. Supposing, to go on with my point, one of our competitors of equal size in the area servicing the same market should decide that he would be better off economically, or profitwise, or however he might interpret the facts, to use foreign steel and, say, he saved the maximum, 50 cents a drum.

I doubt that he would accomplish this in the Great Lakes area, but presuppose this. I have asked for permission here to use some round figures. He does this and he brings in the foreign steel and he produces his container from foreign steel and he goes out to stimulate his own sales and his own position in the industry. He halves this 50 cents with the customer and keeps the other half for himself.

You can immediately see what recourse we have. We have no recourse other than to follow it if we are going to stay in business. We certainly can't in a business that has such a low-profit margin, afford to do other than to follow this, and this is where I think this thing tends to snowball. It builds up. All we need is this kind of a break.

I do believe that the intent of the Steel Shipping Container Act in identifying containers made of foreign steel so the ultimate customer knows what he is doing to his normal suppliers and how he can hurt them is quite significant.

Mr. VAN DEERLIN. In conference with your customers have you had any indication that they would be repelled by knowing that they were buying drums made with foreign steel?

Mr. MCKAY. Yes. I think the major industry of America which uses steel shipping containers, and I am speaking of the petroleum industry and the chemical industry, which totally represent 60 percent of the new steel containers used; that is, used and bought for filling and shipping of products, resist the idea of a container made from

foreign steel. I think I can say this quite honestly from my own experience in attempting to sell.

Mr. VAN DEERLIN. Thank you, Mr. Chairman.

Mr. STAGGERS. Mr. Glenn?

Mr. GLENN. No questions, but I would like to make a comment on your last statement about the petroleum companies seeing this thing as they do or would.

Two years ago I was on a subcommittee of the Merchant Marine and Fisheries Committee which visited shipyards over in Europe to determine whether we were getting a fair share of all the shipbuilding contracts for American ships and I noticed that most of the ships that were being built over there, in the tanker line particularly, were of our American petroleum companies, so buy in America doesn't work on shipbuilding as you think it would work on your drums and containers.

Mr. MCKAY. I think that is very true, Mr. Glenn. I think probably that is because you deal on an international level and on an international level you are dealing with one facet of this problem.

When you are dealing with regard to the domestic market, that in the United States, you are dealing with an entirely different market under different circumstances.

Mr. GLENN. Thank you, Mr. Chairman.

Mr. STAGGERS. Mr. Curtin?

Mr. CURTIN. No questions.

Mr. STAGGERS. Thank you, Mr. McKay, for coming and giving us the benefit of your views.

Mr. MCKAY. Thank you.

Mr. STAGGERS. Mr. Frank Hoffmann, United Steelworkers of America. Mr. Hoffmann, we are glad to have you before the committee.

STATEMENT OF FRANK H. HOFFMANN, LEGISLATIVE DIRECTOR, UNITED STEELWORKERS OF AMERICA

Mr. HOFFMANN. My name is Frank Hoffmann. I am a legislative director of the United Steelworkers of America. I am appearing today in support of H.R. 5673, which would require the disclosure of the country of origin of steel shipping containers.

Mr. Chairman, our union has not determined to what extent this labeling bill would result in direct employment of our members. However, we are fully in accord with the notion that the consumer should be made aware of all pertinent information prior to his purchasing of an article. It is for this reason that we have already gone on record supporting the truth-in-lending bill and the truth-in-packaging bill.

A nation like ours, which has declared itself for a freer trade world economy, can sustain itself in a free enterprise economy only where the consumer has adequate information upon which to make his choice. The other alternatives of restrictive trade, with quotas, and high tariff protection, we have already rejected.

A necessary corollary of the Trade Expansion Act of 1962 is the Steel Shipping Container Identification Act which is now before your committee. It does not in any way affect tariff rates, nor the price of the product for the consumer.

Actually, Mr. Chairman, it gets at the manufacturing of these containers from steel sheet which has been imported into this country.

If a steel container is manufactured in a foreign country current custom laws require a label designating the country of origin. However, this is not required if the container is manufactured in this country from imported steel.

This bill would simply require that such labeling be placed on the container. We have no way of estimating the employment impact of such disclosure. But in the interest of fuller information the United Steelworkers of America is supporting H.R. 5673.

Mr. STAGGERS. Thank you, Mr. Hoffmann. I noticed that in the first part of your testimony you said that a nation like ours, which has declared itself for a freer trade world economy, can sustain itself and that we have already rejected restrictive trade, with quotas, and higher tariff protection.

You are in agreement then, that free nations must trade together and work together?

Mr. HOFFMANN. That is correct.

Mr. STAGGERS. I notice mention of only one nation from which steel comes. Do you have any idea or could you tell me some of the main sources of steel coming in from other nations? What are the other nations?

Mr. HOFFMANN. What are the nations?

Mr. STAGGERS. Yes; some of those that are the main producers of steel coming into our country.

Mr. HOFFMANN. Well, we have had, as you know, Mr. Chairman, some dealings directly with United States Steel on the dumping problems which have affected both of us and jointly we have gone to see the President and Members of Congress.

In this area we were concerned with Japanese steel, with steel from Belgium, and steel from England, in this area.

Mr. STAGGERS. How about steel from Italy?

Mr. HOFFMANN. At that time we were not concerned with Italy. I am not prepared to go to the full length of this, but I say these were the three that we were considering at that time.

Mr. STAGGERS. Yes, sir. I understand that since that time, Italy has come into the world market quite extensively. I believe West Germany has also.

Mr. HOFFMANN. Yes; West Germany, that's correct.

Mr. STAGGERS. I notice that Japan is only one of those that is producing and sending steel into this country. In most of these countries I believe we helped to build these steel mills and helped to rehabilitate these countries in order to make them self-sufficient and able to go about their business.

And, as I see from your testimony, you are not trying to restrict the steel coming in. As you say, this Nation has rejected the policy of high trade barriers. But the only thing that you are advocating, as the bill does, is that American people know the origin of this steel.

Mr. HOFFMANN. Basically all we are interested in is consistency, and we require these things on products which are manufactured outside of this country and we say that steel which is brought into this country for this purpose ought to be properly identified.

Mr. STAGGERS. I notice we have some representatives of the Japanese people here in the news media and I thought it only fair to say that this steel is coming from other countries. It just happens their name

was mentioned here and they are not being singled out as any one group.

Mr. HOFFMANN. No, they are not.

Mr. STAGGERS. It is the world of free nations trying to work together that involves what we are trying to do. I have no other comments or questions.

Mr. Van Deerlin?

Mr. VAN DEERLIN. Mr. Hoffmann, you say it is not intended to discourage importations of steel. Is that true, do you think? It surely isn't going to encourage importation, is it?

Mr. HOFFMANN. We have had for years in this country a requirement that any product made outside the United States is required to have this stamp of made in whatever country it was on the product, and certainly this has not discouraged them from sending products into this country and I don't see why this would discourage it either.

Mr. VAN DEERLIN. This is getting into the area of what we might call a secondary boycott.

Mr. HOFFMANN. I am not talking about secondary boycott. I am merely trying to be consistent. I am not allowed to talk, by rules of Congress, about secondary boycott as a union representative.

Mr. VAN DEERLIN. What we are dealing with is getting into the materials which go into an imported product rather than the manufacture of the product itself. You say that we should all be made aware of pertinent information prior to the purchase of an article.

Is it your opinion that there is involved here a quality of product?

Mr. HOFFMANN. I am not enough of an economist or a specialist to tell you about the quality of a product except that I am American enough to thing that we make the best product in the world and as a steelworker I am sure that we make the best product in the world.

I am not questioning whether the other countries who are shipping steel in make an inferior product. I am not saying that, except that I say as a proud American we make the best steel in the world. That's all I am saying.

Mr. VAN DEERLIN. This would not necessarily be true in the entire spectrum of manufactured products, though, would it?

Mr. HOFFMANN. I am only talking about the steel. This is the only thing I have anything to do with.

Mr. VAN DEERLIN. What you are asking Congress to do then is to ascertain where this principle should be applied and where it should be ignored?

Mr. HOFFMANN. All I am doing here is supporting H.R. 5673.

Mr. VAN DEERLIN. I understand that.

Mr. HOFFMANN. That is just one phase of a number of bills which are before your committee, and we are here in behalf of this because this directly affects the steelworkers and their operations with the steel companies and the manufacturers of basic steel products in the United States.

Mr. VAN DEERLIN. Well, it also touches on the principle of trade, which is something that we have been working at pretty hard in this country for about 30 years now, and what this bill seems to me to do is to attempt to discourage one facet of free trade, and I want to make sure that we are taking a step which is very necessary to protect the public, as you say.

You liken it to the truth-in-lending bill and truth-in-packaging bill.

Mr. HOFFMANN. Right.

Mr. VAN DEERLIN. Here consumers would be protected against being defrauded. I want to know whether this is the same principle which is at stake in this legislation, whether we are protecting them against being cheated, or whether we are just putting in a little Government-supported prop here for a segment of industry.

Mr. HOFFMANN. I don't think that could be read into this in any way. I certainly don't think that is in this statement and I certainly don't think that is what we believe.

Certainly the labor movement as such has tried for years to interest the public in having union labels on their products. A labeling process as far as the trade union movement is nothing new. This is something we have had for years, and I think that the same thing, by identifying the product as of its source regardless of its manufacture, if it is manufactured in here, just makes fair overall competition for everybody.

I don't think that there is anything wrong with this at all because I just think that people ought to be able to know where it comes from.

Mr. VAN DEERLIN. Thank you, Mr. Chairman.

Mr. STAGGERS. Mr. Glenn?

Mr. GLENN. Mr. Hoffmann, I notice in your statement you refer to the Trade Expansion Act of 1962. Of course it is my opinion that that title is a misnomer, that it would be better called the Tariff Removal and Reduction Act rather than Trade Expansion.

Mr. HOFFMANN. Right.

Mr. GLENN. Do you have any opinion and can you tell us as to whether or not the so-called Trade Expansion Act has been of any benefit to our American economy as yet?

Mr. HOFFMANN. I don't have the facts or figures and I would not be well enough informed to answer that question, Congressman.

Mr. GLENN. Thank you. That is all, Mr. Chairman.

Mr. STAGGERS. Mr. Curtin?

Mr. CURTIN. No questions.

Mr. STAGGERS. Thank you, Mr. Hoffmann, for giving us the benefit of your views.

Mr. HOFFMANN. Thank you.

Mr. STAGGERS. Mr. David J. Steinberg. Would you state your name, please?

STATEMENT OF DAVID J. STEINBERG, CHIEF ECONOMIST, COMMITTEE FOR A NATIONAL TRADE POLICY

Mr. STEINBERG. Yes, sir.

My name is David J. Steinberg. I am chief economist for the Committee for a National Trade Policy.

Mr. STAGGERS. You may proceed.

Mr. STEINBERG. I appear before your committee today on behalf of the Committee for a National Trade Policy, Inc., in opposition to H.R. 5662, a bill that would prohibit the use in U.S. commerce of shipping containers made from imported steel unless the container indicates the country from which the steel was imported.

Our committee was established 10 years ago to promote general public education in problems of international trade and to advance the

trade policy best calculated to serve the national interest. As, I am sure, your committee knows, we strongly supported the Trade Expansion Act of 1962, the cornerstone of U.S. trade policy in the 1960's. Since its enactment we have continued our regular program through which we strive to ensure that U.S. trade policies across the board will contribute to the Nation's interest in vigorous trade expansion. We believe that the many restrictions which still impede world commerce should be minimized. We believe that the many proposals that have been made, and will be made, to restrict trade either directly or indirectly should be rejected unless convincing proof can be offered that a temporary restriction is indispensable to a constructive adjustment effort and that such measures are in the national interest.

This explains our opposition to two other marking bills earlier this year (H.R. 2513 and S. 957), and it explains our opposition to H.R. 5662 today. We believe that the purpose of these bills is to restrict trade by adding discriminatory costs to the use of imports and creating uncertainty in this trade.

Mr. Chairman, may I interject at this point and add that I have not seen the other bills being considered by your committee in today's hearing and therefore my testimony is confined today only to H.R. 5662.

Mr. STAGGERS. Fine.

Mr. STEINBERG. H.R. 5662 may on its surface look like a reasonable and logical extension of the basic marking requirement in existing law. But careful study of the facts of economic life will, I believe, show that it is not reasonable, not logical, not the protector of the consumer as its supporters may contend. It is rather a deterrent to sound trade expansion. This is so, not only in view of its effect on business operation—both the marking and the recordkeeping required—but also in view of the harassing action it may well foment—and the attitude it may foster, certainly among small businesses in our national distribution system—that the use of imported products may in some cases not be worth the administrative tangles which certain U.S. manufacturers may set in motion.

This is the latest in a succession of marking bills. What is the logical outcome of such efforts once a precedent has been set? Should drums used to ship refined petroleum products show the country or countries or origin of the original raw material? Why would it not be logical for iron ore interests, concerned as they are over growing imports of ore, to seek legislation requiring U.S. producers of steel sheet for the manufacture of containers to mark on their product the country of origin of the ore that was used?

Moreover, what purpose does it serve? What does it really tell the ultimate consumer—whose real interest presumably lies in quality and price—except to provide the more chauvinistic consumers with a checklist against which they may apply their particular political prejudices? Such catering to political prejudice is not a governmental responsibility.

Passage of such bills—at a time when the United States seeks not only the reduction and in some cases the elimination of foreign tariffs and the elimination of quotas, but also the elimination of a wide range of other trade barriers—would hurt our negotiating position and in fact set an example for similar or even worse forms of so-called invisible barriers to trade.

If U.S. producers want the American consumer—in this case the individual or firm that buys the container as such or the contents of a steel container—to prefer or insist upon steel containers made of American steel, then those producers should take steps to have their own products marked "made in U.S.A."—that is, made of American steel—and, if that is the way they want to do their merchandising, to urge consumers to buy American goods shipped in containers made of American steel. Earlier this year when we opposed a bill requiring the marking of country of origin on imported lumber, we found that a lumber producer in Idaho felt so strongly about the identification and promotion of his product as American made that he had begun to mark it to that effect, leaving nothing to the imagination or surmise of the consumer. But such voluntary practices are a totally different matter from burdening the import distribution system with new country-of-origin markings required by law.

These days—and I am glad to say this—our foreign trade has expanded to a point where imported goods are more common in our everyday purchases than ever before. I should say equally that U.S. goods are more common in foreign markets today than they have ever been. A product that carries no identification of country of origin should not be assumed by the U.S. consumer to be American made. A manufacturer who wants his product to be so identified should take steps to have it so marked.

Or alternatively, if the supporters of the proposed legislation feel, as they do, that the absence of country-of-origin markings where imported steel is used is "an unfair method of competition and an unfair and deceptive act or practice under the Federal Trade Commission Act"—and I quote from the bill there—then they should have such a complaint brought before the Federal Trade Commission in accordance with existing procedures. If they feel that imports are hurting them, they should bring their case, as an industry or as individual producers, before the Tariff Commission and seek relief under the Trade Expansion Act.

I urge the supporters of bills like this to exert their energies not in the direction of new burdens on the movement of goods in international commerce, but in the direction of constructive answers to whatever competitive problems they face.

Thank you, Mr. Chairman.

Mr. STAGGERS. Thank you. Mr. Van Deerlin?

Mr. VAN DEERLIN. Mr. Steinberg, in following up this policy of your organization, have there been any studies made as to the willingness of consumers to spend their money on the basis of national labels?

Mr. STEINBERG. No, sir; we have not made such studies, but we have examined, or begun to examine, rather closely cases that have been heard by the Federal Trade Commission on various products.

Watch bands happen to be one of them, where the Commission made a judgment on this point and on that particular product felt that, where the consumer did not see a country of origin marked, the consumer, and I guess they mean most consumers—I don't know what proportion of the consuming market they had in mind, and on this I question the Federal Trade Commission—the consumer believed that the product was domestic in origin. I would gather that the assumption that the consumer makes regarding country of origin would vary from product to product.

The same consumer who looks at a watch band for country of origin may not look at or pay much attention to the marking of country of origin on a steel container or some other product, so that I believe that the propensity of consumers to look for country of origin is something that ought to be examined by technicians in this field who are concerned with the whole problem of unfair methods of competition. The Federal Trade Commission has such a responsibility.

Mr. VAN DEERLIN. In your opinion, doesn't it seem likely that the pressure of stockholders in a big company might be very keenly felt by company executives who try to impose their restraints onto the profit-and-loss sheet of the company by arbitrarily deciding that price and quality were not the only consideration in purchase of products?

Mr. STEINBERG. I would imagine, sir, that certain stockholders would certainly want the management of the company in which they have invested to market the product primarily, or perhaps exclusively, on the basis of quality and price and not on some other basis of merchandising, but I would assume also there are other stockholders who wouldn't care very much on what basis the merchandising took place as long as it brought in increased income.

Mr. VAN DEERLIN. Has there been an alarming trend, in your opinion, toward the loss of American markets to foreign manufacturers recently overall? I don't mean just any one market.

Mr. STEINBERG. I haven't made a detailed study of public sentiment on this, but I would say that it is no more or less today than ever before and that there is among many sectors of the public a concern about this problem.

Mr. VAN DEERLIN. Oh, yes, this I know. I asked though if in your opinion there was an alarming trend—alarming to you?

Mr. STEINBERG. No; I wouldn't call it an alarming trend.

Mr. VAN DEERLIN. Are we losing or gaining in this general exchange of world trade? Is America proportionately still selling as much as she did before?

Mr. STEINBERG. We are selling as much. The U.S. export surplus, exports over imports, is roughly what it has been in the past few years. And may I elaborate on that to say that I know that there are certain people who question the validity of the export surplus figure in view of the fact that there are exports of Public Law 480 agricultural products involved and therefore the export surplus may not be a valid indication of the foreign trade position of the American economy.

On that point—I hope I am not getting away from your question, sir—may I add that if you took the export surplus of U.S. exports of finished manufactured goods over U.S. imports of finished manufactured goods and even left out the goods that move because of the foreign aid program, you would still get a substantial export surplus, roughly in the area of $4 to $5 million a year. That, it seems to me, is a pretty good indication of the competitive ability of the American economy in a world that we all know is getting increasingly competitive.

Mr. VAN DEERLIN. American tooling and American know-how are still standing up pretty well despite our higher wage level, which we intend to keep.

Mr. STEINBERG. Right, but I think you would agree with me, sir, that we face a growing challenge from the burgeoning industrializa-

tion abroad and that the way for the American economy to respond to that is by vigorously adjusting to it, and this takes a lot of effort in terms of better equipment, better management, increased investment in research and development, and all the rest of it, so that we as a committee and I as an individual are not taking a simple view of what is happening in the world and saying that everything is fine and that we can rest on our laurels.

We are going to have to face up to growing import competition and growing competition in third markets to which we export, and we as a committee believe that the American economy, and the American Government, and American labor ought to be spending a lot of their time, much more than they have been perhaps, on facing up to the challenge which will increase as time goes on.

Mr. VAN DEERLIN. I notice the board of directors on the letterhead on which your statement is written includes the executives of a number of large users or manufacturers of steel and steel products, which would suggest that there is not unaminity in the steel industry.

I assume you speak for the full committee.

Mr. STEINBERG. Yes, sir; I speak for the full committee. We do not have, if I remember correctly, anybody on the board who is in the steel industry. I would assume that some of the members of the board are associated with companies which use steel containers, but may I add, sir, that I am not speaking for any individual member of the board.

Mr. VAN DEERLIN. Oh, no.

Mr. STEINBERG. Nor has any member of the board or any supporter of our committee asked the staff of the committee to testify in opposition to this bill. We are here because we feel that this bill is not consistent with a trade policy that serves the total national interest.

Mr. VAN DEERLIN. It seems logical that the steel industry as a whole would be concerned over the views of the Ford Motor Co., the Union Tank Car Co., the Gillette Razor Co.

Mr. STEINBERG. I should think so, sir.

Mr. VAN DEERLIN. Thank you, Mr. Chairman.

Mr. STAGGERS. Mr. Glenn?

Mr. GLENN. Mr. Steinberg, I can appreciate your statement of the growing challenge of imports coming into our country, but I was under the opinion that we have had that challenge for some time and that it has been a problem for some years now. I agree with your statement when you say foreign trade has expanded to a point where imported goods are more common, everyday purchases than ever before, but I don't believe I can agree with you when you say that U.S. goods are more common in foreign markets today than they ever have been before except through our foreign aid porgram.

Do you have any basic figures which you have used for this statement?

Mr. STEINBERG. I don't have any figures with me, sir, but even if you took out the amount of U.S. exports attributable to foreign aid, as I indicated before, you would still have a substantial and generally growing U.S. export business in finished manufactured goods.

I think that there are many areas in which we as a country feel that we have lost some of our competitive touch because of the complaints made by the U.S. industries—textiles, lumber, and other industries

which have been complaining about import competition. These complaints need careful evaluation.

Many of these industries are beginning to recognize that there is abroad a growing market for their own products, but it takes perhaps an unprecedented export effort, unprecedented sales effort, and a special effort in design to meet the needs of consuming markets abroad.

I think that the potential abroad is there and it is our job as a country to go after it.

Mr. GLENN. The thing that gives me concern is we have given so many of these countries not only the know-how, but the machines to do it perhaps better than we can because the machines are newer than ours.

Take, for instance in the glass industry, and the big factor and the item which gives us so much concern is the labor cost. How can we improve on the technical aspects of automation when we know that they are just as advanced, if not more so, than we are.

Mr. STEINBERG. I am pretty sure there are many answers to that, Mr. Glenn. I shall offer two.

One is that there is a lot more to international competition than comparative wage rates and comparative technology. There is also this very important and often neglected dimension called management, and it is quite possible for an American firm producing a product with advanced technology and paying high wages to out-compete a foreign firm with the same equipment and paying low wages, because there is this management factor, and this design factor, and the sales promotion factor, and many other elements of quality in a product which are not explained by the fact that the technology may be the same.

My second point is that there are many sectors of American industry which have not brought their levels of technology, the quality of their plant equipment, up to where it ought to be. I think in the steel industry today we are seeing some very impressive and encouraging steps to improve equipment and some spokesmen of the steel industry have themselves within the past year, within the past few months, acknowledged that there are many areas of their own industry where there is a lot of ground to make up in terms of getting better equipment, the use of the oxygen furnace, et cetera. So that I think that if we are faced, as we are faced, and we ought to be very much concerned about this, with improved technology abroad, then let's make every effort here at home to make sure that our technology is up to or even better than the technology abroad.

Mr. GLENN. As to your first point, is it your opinion that our management structure in the corporate entities is topheavy and that it doesn't compare with those of foreign countries.

Mr. STEINBERG. I have no basis at this time, sir, to make a judgment on that subject.

Mr. GLENN. You don't know whether we have too many vice presidents or not in some of our large corporations?

Mr. STEINBERG. Sometimes I wonder, but I have no basis for judgment.

Mr. GLENN. Thank you.

Mr. STEINBERG. Thank you, sir.

Mr. STAGGERS. Mr. Curtin?

Mr. CURTIN. Thank you, Mr. Chairman.

Mr. Steinberg, I must confess that I am primarily interested in the American economy and the employment of the American working man and, I am, secondly, an internationalist. Do I understand you to say that you feel that since the Trade Expansion Act has become the law of the land our foreign trade position has improved?

Mr. STEINBERG. I would say that our foreign trade position is pretty much what it has been. I don't have the figures in front of me, but I believe that we have been able to, across the board, hold our own. There are obviously certain areas where we have experienced growing difficulties from competition at home and abroad, but on the whole I think we are holding our own.

Mr. CURTIN. I see. The various reports that I have seen in the last year indicates that, presently, the balance of trade is against the United States so far as international trade is concerned. Would you agree with that statement?

Mr. STEINBERG. I do not.

Mr. CURTIN. Would you say that the balance of trade is proportionately more favorable for the United States than against it since the Trade Expansion Act became effective?

Mr. STEINBERG. Well, I don't know what distinction ought to be made without the figures in front of me as to what change has taken place since October or September of last year when the President signed the Trade Expansion Act, but I would say that we have not had an opportunity to see what the Trade Expansion Act can do for the American economy because the President has not yet had an opportunity to use the negotiating powers that were given him in the Trade Expansion Act.

A better judgment on the effect of the Trade Expansion Act can be obtained after the trade negotiations and after we have seen how the American economy responds to the changes in tariffs and other trade barriers which the Trade Expansion Act bill brings about.

I want to add at this point that the fact that the Trade Expansion Act was passed, even though the negotiating authority has not yet been used, has certainly been a plus mark for the United States because it has shown the rest of the world the direction in which we really want to move and may have deterred other countries from perhaps adopting more restrictionist policies than they would otherwise have adopted.

Mr. CURTIN. Is showing the rest of the world where we are moving more important than sustaining the economy of the United States, in your opinion?

Mr. STEINBERG. My first priority, sir, as with you, is to sustain the economy of the United States. If we as a committee or myself as an individual did not feel that the trade policies we were advocating did not serve the national economy of the United States, then we would not favor this kind of trade policy.

Mr. CURTIN. Do you feel that the Trade Expansion Act should be used primarily for trade expansion for the United States, or should trade expansion of the European nations be our main objective?

Mr. STEINBERG. This is in the first instance a trade expansion for the United States and it was enacted by the Congress, I am sure, with that objective in mind, and I assure you, sir, that it was supported by our committee with only that objective in mind. And

by trade expansion I mean not just opening up increased opportunities for imports into this country, but opening up opportunities for American exports abroad.

Mr. CURTIN. Then I take it that you and your committee are in favor of expansion of American industries too?

Mr. STEINBERG. This is our basic interest.

Mr. CURTIN. How are American plants going to have their trade expanded—particularly in the steel industry—if foreign steel is brought in and the local manufacturer of containers can sell the containers made from foreign steel for 30 to 50 cents per unit cheaper? How is that going to expand the trade of the local steel manufacturer?

Mr. STEINBERG. You mean expand his export trade? Expand his business?

Mr. CURTIN. Expand his business.

Mr. STEINBERG. I do not have before me all the facts and figures regarding what is actually taking place in this industry. I will assume that there are certain American producers of steel containers who are experiencing difficulties, and I shall assume even growing difficulties, from imports of steel sheet that go into the fabrication of competing steel containers in this country.

Exactly which sectors of the industry are experiencing these difficulties I don't know. But I would certainly think that the answer to any such difficulty or any such dislocation ought to be through an adjustment effort on the part of those companies, and it may well be, and I don't know enough about the steel container industry to be certain about it, that there are certain producers of steel containers from American steel who will just not be able to stay in business making steel containers from American steel, in which case, sir, there are provisions in the Trade Expansion Act for a technical expert evaluation of their case before the Tariff Commission to find out what is really taking place.

Mr. CURTIN. That is a very fine general statement, but it doesn't answer my specific question.

Mr. STEINBERG. I am sorry.

Mr. CURTIN. Let me rephrase my question.

The testimony has indicated that the steel container people—if they use foreign steel—can sell their containers from 30 to 50 cents a container less than they can sell those containers if they use domestic steel.

Now, then, you say that this legislation would be a deterrent to trade expansion. What I want to know is, deterrent to whom? To the American manufacturer and workman, or to an expansion of the domestic steel sale in America, or is it a deterrent to the importation of foreign steel?

Mr. STEINBERG. It is a deterrent to the totality of American trade expansion interests. In other words, sir, the steel industry itself has a tremendous stake in the expansion of American exports, not just in terms of its own direct exports of steel, but in terms of exports of products made by American companies that buy American steel.

If we are to be successful in opening markets abroad for those industries which use American steel, then we have to be in a position to negotiate foreign concessions which are an important factor in opening up those markets.

Therefore, we are talking about the totality of the process of trade expansion and not just situations regarding steel containers.

Mr. CURTIN. Then you are talking in general. You say that so far as this particular industry is concerned, the local domestic steel manufacturers are going to suffer, but that this is necessary for this general picture of making the rest of the world love us?

Mr. STEINBERG. I don't say that they are going to suffer, because I shall have to wait for an expert evaluation of what is really taking place in this industry.

Mr. CURTIN. The testimony says that they can sell the containers for from 30 cents to 50 cents a container less if they use foreign steel than if they use local steel.

Mr. STEINBERG. Mr. Curtin, I haven't had an opportunity to evaluate that testimony, but even if I did I would certainly want to see an expert evaluation of the problems of that industry by a group that is competent to make such an evaluation.

With all due respect to the previous witnesses, the mere presentation of that kind of testimony regarding facts of economic life in that industry is something that I with all due respect cannot accept just on face value. I shall have to, and I would hope that the Tariff Commission or some other group qualified, would make a detailed analysis of what is really happening, and what the problems really are, and to what extent imports contribute to those problems.

Mr. CURTIN. That is what you mean then in your answer to a previous question by one of my colleagues when you say that we must face up to growing imports? That is substantially it?

Mr. STEINBERG. We must face up to growing imports by making sure as to what the problems of competition really are.

Mr. CURTIN. Aren't the problems of competition the fact that importers are selling products cheaper than we can make them?

Mr. STEINBERG. I would assume, sir, that the problems faced by the steel container industry and every other American industry are rather complex problems that cannot be attributed just to foreign competition.

I am assuming that foreign competition is an important problem and in many cases a growing problem and in many other cases a serious problem, but let's really find out industry by industry.

Mr. CURTIN. With from 5 to 6 percent of our working population unemployed, it is a serious problem, and I am speaking now of the American economy and not the international picture.

Mr. STEINBERG. We ought to find out to what extent imports are causing the problem. I know from having followed trade hearings for many years, and having read the public statements made by industry people who have complained about foreign competition, that they may say that their big problem is imports and they won't talk about any other problem because the import problem may be the only problem on which they feel justified in coming to the Congress to ask for some kind of relief. But I do think that these industries owe it to themselves and to the country to take a good hard look at what the problems really are, the problems from competing materials, et cetera.

Mr. CURTIN. I will ask you just one other question.

What is so wrong in having a drum that is made of steel imported from a foreign country so marked? How does that interfere with any of these principles that you have been expounding?

Mr. STEINBERG. Well, this is what is called an invisible barrier to trade. I know it isn't an import restriction in the tariff sense or the quota sense, but it imposes on people who use imported steel a cost factor.

Mr. CURTIN. A cost factor?

Mr. STEINBERG. A cost factor which is not required of domestic producers.

Mr. CURTIN. What is the cost factor?

Mr. STEINBERG. The cost factor of placing that marking on the product, and also the——

Mr. CURTIN. Excuse me. Do you mean one of the big reasons that you are objecting to it is because of the additional cost of embossing on a container?

Mr. STEINBERG. No, that is not the big reason, sir, I didn't finish my statement. It is also the matter of keeping records of exactly where the steel came from.

Now, may I complete the thought?

Mr. CURTIN. Certainly.

Mr. STEINBERG. In this whole process there may be possibilities for clerical errors, steel perhaps used from one source which was not properly identified as coming from that source and instead stated as coming from some other source.

It is possible for errors to take place.

Mr. CURTIN. Do you mean that if there are 100 pieces of steel in the factory that manufactures containers and of that 100 sheets, 99 are foreign steel and 1 is a domestic steel sheet, the problem might be that they might erroniously mark that 1 sheet?

Mr. STEINBERG. I am not saying that would be bad, but what I am saying is that some of the manufacturers we are talking about who use imported steel are smaller manufacturers and there are all kinds of penalties set up in this bill for the prosecution of people who don't keep proper records regarding the source of imported steel, who do not market the product properly, et cetera.

This is the kind of thing which may make, as I said in my statement, certain manufacturers who use imported steel or certain manufacturers who may want to use imported steel, feel, "Well, look, there is just too much redtape to all this. Who knows but what certain mischievious interests in the United States may complain to the Federal Trade Commission without really having all the facts at their disposal, and then the whole process of having to answer, and so forth. Why bother with the imported steel at all. Let's not get involved in subjecting ourselves even to the possibility of being accused of violating the steel container marking act. Let's just buy American steel."

Let me complete the thought. The completion of the thought is that this sort of requirement in the United States—and we are the leading trading country in the world—could well lead, and conceivably lead, to other countries anxious to restrict their imports devising all kinds of marking requirements infinitely more serious than this which would hurt American exports. So that I am talking here not just about the steel container trade; I am also talking about the totality of

American policy, and then I wonder what will happen if you do this regarding steel containers.

Why wouldn't you have to consider a bill offered by the iron ore interests to protect their particular stake in having more of their ore used by American steel producers, and on and on.

Where does this end?

Mr. CURTIN. Mr. Steinberg, it seems to me you are reading a great number of complications into an essentially simple provision.

That is all, Mr. Chairman.

Mr. STEINBERG. I said at the outset, Mr. Curtin and Mr. Chairman, that this bill, and previous marking bills before the Congress—I think they are all of a pattern—looks simple, and it looks reasonable, and it looks logical, but that when you begin to look underneath it and find out what the purpose is and find out what the implications are for future bills along this line, and when you think through what the implications are in terms of invisible barriers which other countries may create, restricting American exports, other countries which are very anxious to take an example from the United States, not just in technology, sir, but also in trade restrictions, when you look at the total picture I think you come out as we have come out in opposition to this kind of bill.

May I conclude the thought and say that this kind of legislation doesn't really come to grips with the problems of the steel container industry.

Mr. CURTIN. It comes to grips with the problem of putting Americans to work, which is the problem in which I am primarily interested.

That is all, Mr. Chairman.

Mr. STEINBERG. And I, too, sir.

Mr. STAGGERS. Mr. Keith?

Mr. KEITH. Thank you, Mr. Chairman.

As one of those who voted for this legislation, I have been somewhat concerned as to whether it has worked out as well as we hoped it would. I think the general feeling among the Members of Congress from the New England area who supported this program is one of disappointment.

Would you comment briefly on whether or not it has lived up to the expectations that you as an economist saw for it?

Mr. STEINBERG. Well, in an important respect there is one disappointment and that is that the negotiating authority of the President is not as great as the bill envisioned and as we as supporters of the bill had expected.

The President's authority is not as great by reason of the fact that the United Kingdom has been kept out of the EEC.

However, a judgment regarding the effectiveness of the Trade Expansion Act, Mr. Keith, will have to wait until the negotiations have taken place so that we get some idea of the extent to which foreign countries have removed the formidable barriers that they have against American exports, or certainly minimized those barriers, or reduced those barriers, in exchange for concessions which the Trade Expansion Act gives the President authority to make on our side. We haven't yet had a chance to see how the President's authority will be used.

However, I do feel as I indicated in response to a previous question, that the fact that the United States last year enacted this kind of legislation puts the rest of the world—and may I add—puts the American economy, on notice that this is the trade policy the American Government regards as the one best calculated to serve the national interest of this country, and this I think has had an effect which I am not able to quantify, but I am sure is has had an effect on the attitude of countries around the world toward their own import policies.

I think that if the United States had not taken this action, other countries would have felt free to impose increased barriers on their imports, saying, "Look, Uncle Sam is concerned about protecting his economy against import competition. He is not in favor of a liberal trade policy. Why should we?"

And the reaction around the world would be one in favor of import restrictions. Therefore, in that sense, which is an abstract sense, if you will, I think the Trade Expansion Act has been a good thing.

As to what the ultimate results will be when its negotiating authority is used, this remains to be seen. We may have to wait 2 years or more to find out.

Mr. KEITH. Thank you for your attempts to answer briefly the question I posed.

Mr. STEINBERG. It is a complex question, sir.

Mr. KEITH. May I say for the record that I think there is a tendency on the part of economists to look at this problem in a narrow and perhaps a naive way. Our international relations are dependent upon dealing with firmness and from a hard position, not only in the field of economics, but also in the field of the military.

Mr. STEINBERG. I agree on the need for firmness and a hard negotiating position.

Mr. KEITH. And they have to be considered jointly. In my opinion, there has been too little of that coordination in accomplishing national objectives through the use of economic force and military force. I am inclined to agree with one economist of long standing and high reputation in national economic circles who wrote a book called "Economics in One Lesson," that I commend for your consideration.

Mr. STAGGERS. Thank you very kindly for your testimony, Mr. Steinberg.

Mr. STEINBERG. Thank you, sir.

Mr. STAGGERS. Mr. Daniels, would you state your name and whom you represent?

STATEMENT OF MICHAEL P. DANIELS, LEGISLATIVE COUNSEL, UNITED STATES-JAPAN TRADE COUNCIL

Mr. DANIELS. My name is Michael Daniels. I am legislative counsel of the United States-Japan Trade Council and I appear before the committee, with the chairman's permission at this point, in opposition to two of the bills which are before you, both the labeling bill and the steel container labeling bill.

The United States-Japan Trade Council is an organization composed of over 600 firms engaged in trade between the United States and Japan in both directions. Our interest lies in the expansion of a healthy trade between these two nations.

We are opposed to these bills because they represent a radical departure from U.S. law and internationally accepted standards regarding marking. If enacted, they would prove burdensome to U.S. manufacturers and importers and a hindrance to a free flow of trade. They would serve no real purpose in informing consumers or in preventing misrepresentation and deception in the marketing of articles in U.S. commerce.

We are sure that the subcommittee is aware of the purposes of the Trade Expansion Act of 1962 and of the seriousness with which the United States contemplates the negotiations which will be conducted pursuant to that act with the European Economic Community and the other nations of the General Agreement on Tariffs and Trade.

As the subcommittee is undoubtedly aware, the question of nontariff barriers will be the subject of serious negotiations on the part of the United States. Beyond the tariff, other measures; such as internal discriminatory taxation, various quota devices, and national preference practices loom large as impediments to the free exchange of merchandise across national boundaries.

Marking requirements, if abused, would constitute a nontariff barrier to trade and, as such, could figure in the negotiations to take place in Geneva next year. The enactment of the legislation before the subcommittee—and here I refer both to the steel container labeling bill and the labeling identification bill—would undoubtedly create problems for our negotiators in their efforts to eliminate foreign nontariff barriers to exports from the United States.

The General Agreement on Tariffs and Trade has set forth principles governing marks of origin, to which the United States and other member nations of the GATT have adhered. Article IX, paragraph 2, reads as follows:

> Contracting parties recognize that, in adopting laws and enforcing regulations relating to marks of origin, the difficulties and inconveniences which such measures may cause to the commerce and industry of exporting countries should be reduced to a minimum, due regard being had to the necessity of protecting consumers against fraudulent or misleading indications.

By and large, U.S. law regarding marks of origin conforms to the principles laid down in the GATT. The enactment of this legislation, however, would constitute a wide departure from these principles and would serve no useful purpose for the United States.

The whole reason for marking with country of origin is murky and appeals to unstated prejudices or supposed prejudices on the part of consumers.

In this connection, Mr. Chairman, I would like to refer to another bill before the committee on which we have no position. This bill provides for the marking of potatoes with State of origin. We were quite amused, if I might say, to read the title of the bill: "To require that Irish potatoes sold or shipped in interstate commerce be labeled as to State of origin." We thought, perhaps facetiously, if the committee will indulge me, that there should be a label: "These Irish potatoes not grown in Ireland"; this is an indication of the kind of problem involved in marking with country of origin.

It would be fraudulent, certainly, if an article manufactured abroad were marked in such a way as to convey the impression to the purchaser that it was manufactured in the United States.

It would be equally fradulent if, say, perfumes manufactured in Ohio were labeled "Paris" or "France," in an effort to share the prestige which such a label conveys. The present bills, however, do not stop at accepted principles regarding deception and misrepresentations but extend into the area of protectionism.

An accepted principle of marking requirements is that the "ultimate purchaser" be informed of the country of manufacture. In the case of the "labeling of labels" bill in a technical sense, the ultimate purchaser under American law would be the garment manufacturer or other manufacturer who buys labels from a foreign source and attaches such labels to his product. He is informed of the origin of such labels because, in order to be imported, packages containing such labels must be appropriately marked with the country of origin. The user, therefore, is in a position to exercise his judgment on whatever basis he chooses regarding the purchase of an imported article. Of what value would it be to the purchaser of a suit, for instance, to know that the label was manufactured in one country or another? He is presumably buying a suit and not a label, and the origin of the label would be of no importance in the exercise of his preference.

Labeling of a label might indeed be confusing in that there might be different countries of origin for the label and the item to which it is affixed. This might even result in a hindrance to the sale of goods manufactured in the United States. Suppose, for instance, a suit were manufactured in the United States and a label manufactured abroad were affixed to it; the prospective suit buyer could very well confuse the origin of the label for the origin of the suit.

The policy purposes underlying labeling requirements are well met by the present provisions of U.S. law, which require that the manufacturer who buys the label be informed of the country of origin.

The steel container labeling bill represents an even wider departure from established practices and principles. Here, an item manufactured in the United tSates is required to be labeled with the country of origin of the raw materials used in such manufacture.

Accordingly, if a stigma does indeed attach to an imported product, products of American manufacture would suffer whatever disadvantages are inherent in such labeling merely because they utlized raw materials of foreign origin.

In thinking about this legislation, Mr. Chairman, we contemplated an endorsement, rather than an objection, if the bill were amended to include every product manufactured from foreign materials. We could think of no better advertisement for imports in the American economy. We decided against such a suggestion because of the extensive labeling which would be required.

For instance, we thought about an American automobile, and I have here a list of foreign materials which go into the manufacture of an American automobile. I might say this is as of January 1960, and I assume the situation hasn't greatly changed. An automobile includes the following imported materials: Aluminum, antimony, asbestos, cadmium, chromium, copper, cork, cotton, fluorspar, hides, iron ores, lead, manganese, molybdenum, nickel, rubber, tin, wood, and zinc.

As somebody has put it, there is a bit of Chile in the radiator, a dash of Cyprus in the brakes, and a little Egypt in the upholstery. If such

labeling had to be displayed in any conspicuous place in a legend ¼-inch high, the sleek look of an American automobile would disappear beneath a patina of labels conforming to law.

In the case of containers, for instance, if one were to be accurate and really inform the consumer, one would have to label such a container: "This container manufactured of imported steel made in Japan, which is manufactured from iron ore mined in India, manganese mined in the Philippines, with coal mined in the United States and scrap from the United States which, in turn, was manufactured from Venezuelan ore" and so on and so forth.

We are sure the committee would not endorse the extension of the principle of this bill to all imported products. In the instant case, the requirements of the bill would introduce burdensome requirements on American manufacturers of containers.

Regarding the materials which go into the manufacture of Japanese steel, I would like to mention for the benefit of the chairman that the State of West Virginia shipped to Japan in 1962, 6,465,000 tons of coal, largely used in steelmaking, which totaled in value $64,147,000. The figures that we have on imports of all countries of hot and cold rolled sheet which were mentioned in the statement totaled $38.8 million. I don't mean to mislead the committee. There are other steel products coming in, but these were the two that were mentioned by the proponents of this bill. I could supply an overall steel figure if you wish, but I think it is illustrative of the fact that in the international exchange involving steel, the United States comes out pretty well.

In conclusion, Mr. Chairman, we are confident that the Government agencies responsible for administering our labeling laws will take the position that the legislation before the committee should not be enacted.

We are of the opinion that no constructive purpose would be served by such enactment and that the interests of the United States do not lie in further nonproductive hindrances to a free exchange of goods in international trade.

Thank you very much.

Mr. STAGGERS. Thank you, Mr. Daniels.

I would like to ask one question.

Do you have any of the figures on steel imported from other countries?

Mr. DANIELS. I can supply those for the record, Mr. Chairman.

Mr. STAGGERS. I wish you would.

Mr. DANIELS. We do have such figures. I didn't bring them with me today.

(The information requested follows:)

UNITED STATES-JAPAN TRADE COUNCIL,
Washington, D.C., November 7, 1963.

HON. HARLEY O. STAGGERS,
Chairman, Subcommittee on Commerce and Finance, Committee on Interstate and Foreign Commerce, U.S. House of Representatives, Washington, D.C.

DEAR MR. STAGGERS: During the course of my testimony on November 6, you asked me to supply figures on steel mill imports.

The enclosed statistics cover the calendar year 1962 and the first 6 months of 1963. Table I gives a total dollar figure for each of these two periods for imports of steel mill and other steel products, and for exports of these products.

Table II sets forth the total steel mill products imported, in net tons, from various countries.

We would appreciate it if you would have the enclosed tables incorporated into the record following my testimony.

If any further information is desired, please let me know.

Yours sincerely,

MICHAEL P. DANIELS,
Legislative Counsel.

TABLE I.—*Total steel mill and other steel products*

[Dollar value]

	Calendar year 1962 [1]	First 6 months 1963 [1]
Imports	533,853,139	301,972,739
Exports	565,238,656	303,512,617

[1] Compiled by the American Iron & Steel Institute, based upon reports of the U.S. Department of Commerce.

TABLE II.—*Imports of total steel mill products* [1]

[Net tons]

Country	Calendar year 1962	First 6 months 1963
Japan	1,071,456	865,629
Belgium-Luxembourg	1,246,227	584,808
Canada	367,184	206,801
United Kingdom	249,884	148,689
West Germany	460,272	172,627
France	299,836	155,730
Other	405,656	234,091
Total	4,100,515	2,368,375

[1] Source: American Iron & Steel Institute.

Mr. STAGGERS. Mr. Van Deerlin, any questions?

Mr. VAN DEERLIN. No, except to inquire was it just happenstance that our chairman is from West Virginia, or could you have provided equally convincing figures for any of the members of the committee.

Mr. DANIELS. I could, Mr. Van Deerlin. I will send each member of the committee a study which we did on the origin of exports to Japan. I believe California was the largest State after Texas.

Mr. VAN DEERLIN. Obviously you will give us each a conflict of interest and we will have to disqualify ourselves from considering this legislation. Thank you.

Mr. STAGGERS. Mr. Glenn?

Mr. GLENN. No questions.

Mr. STAGGERS. Mr. Curtin?

Mr. CURTIN. Thank you, Mr. Chairman.

Mr. Daniels, I am somewhat curious as to why you labeled my bill the labeling of labels.

Mr. DANIELS. This refers to the Label Identification Act, H.R. 4994.

Mr. CURTIN. Oh, you were not then referring to H.R. 5662?

Mr. DANIELS. No, I refer specifically to that bill starting on page 4, the last paragraph. The other material referred to the other bill.

Mr. CURTIN. I was having difficulty in reconciling a steel container with a label on a suit.

Mr. DANIELS. This referred to the other bill before the committee. Thank you, Mr. Chairman.

Mr. STAGGERS. Thank you, Mr. Daniels.

This will conclude our testimony on steel container labeling and we will continue our hearings on the labeling bill as introduced by Mr. Macdonald.

The committee will continue right now until a quorum call. Mr. Chandler, will you give your name for the record and proceed now?

STATEMENT OF LOUIS CHANDLER FOR THE WOVEN LABEL MANUFACTURERS OF THE UNITED STATES OF AMERICA

Mr. CHANDLER. My name is Louis Chandler and I am from Boston, Mass. I appear on behalf of the Woven Label Manufacturers of the United States, which represents most of the 45 companies in the industry.

We greatly appreciate the opportunity to present to you our views in support of H.R. 4994. A statement in support of the bill has been submitted to the committee and we respectfully request that it be incorporated in the printed record.

Mr. STAGGERS. It shall then be done. If you can summarize, that will be fine, or whichever way you care to give it.

(Statement follows:)

STATEMENT OF THE WOVEN LABEL MANUFACTURERS OF THE UNITED STATES OF AMERICA IN SUPPORT OF H.R. 4994

I. INTRODUCTORY STATEMENT

The Woven Label Manufacturers of the United States of America, representing a majority of the 45 companies in the industry, appreciates the opportunity to present its views in support of H.R. 4994.

The proposed legislation would require that woven labels be marked with the country of origin, in the same way that virtually all other finished textile fiber products imported into the United States must be marked. The bill is in accordance with longstanding congressional policy that the ultimate consumer of any marketable product imported from another country should be informed, by its marking, of the country from which the product was imported. Our high-wage-paying industry is not seeking any special consideration, but only the same treatment as to unmarked foreign goods that other American manufacturers have been accorded.

A wide spread presently exists between the prices of domestic and imported woven labels. The proposed legislation does not in any way attempt to lessen that disparity. It is intended merely to require that the competition between domestic and foreign products, entirely apart from price, shall be fair.

At the time of the enactment of the Textile Fiber Products Identification Act (72 Stat. 1717, 15 U.S.C. 70, Public Law 85–897, 85th Cong., 2d sess.) woven label manufacturers assumed that finished woven labels would be marked individually with the country of origin just as would all other finished textile products imported into the United States. Unfortunately, and largely through a misunderstanding that will be described more fully below, rule 45 of those promulgated under the act by the Federal Trade Commission, excluded woven labels from its requirements. The rule grouped woven labels improperly with certain textile product components which could not practicably be marked in accordance with the act. As will be shown below, it is practical and not at all expensive to mark each woven label with country of origin. This can be done at infinitely small cost. Each woven label is a finished textile product which never loses its individual identity.

Support is urged for H.R. 4994 in order to bring about fair competition between American-made and foreign-woven labels. Marking legislation will not in any way interfere with competition based on price, nor on quality or delivery time. It does not run counter to national policy in favor of expanding world trade. It is not the kind of practice which the United States has urged other

nations to give up in favor of a less restrictive world economy. It only requires that foreign-made labels may not then masquerade as a domestic product.

II. HISTORY OF REQUIREMENTS TO MARK WOVEN LABELS

Woven labels were required to be individually marked by foreign country of origin under the Tariff Act existing prior to 1930. The Court of Customs Appeals in *Artistic Weaving Co.* v. *Maguire* (U.S. impleaded, 13 Ct. Cust. App. 140, T.D. 40964 (1925)) had decided that individual labels and not merely rolls of labels were required to be marked with the country of origin. The individual label and not the continuous roll of labels is the item imported and requiring marking. The court had held that fabric labels are a finished fiber product which does not lose its identity when later sewn to a garment. Weaving the name of the country into the label at the time of production was held to be perfectly practical.

The Tariff Act of 1930 did not effect any change in the requirement that individual labels be so marked. The requirement continued in effect throughout the 1930's and 1940's and was changed by interpretation of the Bureau of Customs only after the decision in *U.S.* v. *Gibson-Thompson Co., Inc.* (C.A.D. 98, 27 Ct. Cust. Pat. App. 267, in 1954).

That decision concerned toothbrush handles to be made into toothbrushes in the United States. The Bureau decided, we believe erroneously, that woven labels are a component of garments in the same way as handles are of toothbrushes.

No consideration was apparently given to the fact that handles lose their identity in a toothbrush. Provision for wording on a toothbrush handle would presumably involve additional operations or a different process of manufacture. Such wording would inevitably confuse the retail public as to the origin of the completed toothbrush. The purpose of labels on the other hand is to carry wording. Labels could easily be woven to show one or two additional words on the turn-under portion. Labels imported into the United States are finished articles, not to be involved in any manufacturing by American firms.

The change in interpretation as to woven labels following the *Gibson-Thompson* case was apparently a routine act paralleling exceptions made as to a long list of other products. Label manufacturers had had, of course, no opportunity to testify in that case nor were they given a hearing when the rule in that case was to be extended to cover woven labels.

About the only other textile products then similarly excluded from individual marking requirements were hat bodies; shirt bodies, sleeves, and collars; unfinished brassieres; and piece goods in scarf designs. None of these others could possibly be called finished textile products. There is no indication that there was any finding that individual marking of labels was at all burdensome or that the particular factors bearing on the individual marking of labels were seriously considered.

Words appearing on a label are the reason for the label, and adding one or two more words for country of origin would involve only an automatic process done at the time of weaving.

How different from fiberboard to go into shoes, or eyeglass frames, or hour glasses for egg timers, or blades for screwdrivers, to give examples of several other products which were excluded from individual marking requirements under the same interpretation by the Bureau. From the changed interpretation by the Customs Bureau and the later exemption of woven labels by the Federal Trade Commission from the coverage of the act stems the anomalous situation which the proposed legislation is intended to correct.

As has been stated above, woven label manufacturers looked to the enactment of the Textile Products Identification Act in 1958 as a return to treatment of labels equal to that accorded most other imported goods. The language of the act specially directed to the requirements for marking textile products seemed to promise such equal treatment.

Section 12(b) of the act, however, permitted some exemptions, as determined by the Federal Trade Commission. Unfortunately, at the time the rules were formulated there was a misunderstanding that marking of country of origin on individual woven labels would confuse the buying public.

Retailers felt that "label made in (country of origin)" would lead many potential buyers to think that the entire garment was of foreign origin. It was then assumed that the country of origin, if indicated at all, would necessarily be woven into the label. Actually, it is perfectly practical to weave the

name of that country into the turnunder portion of the label, where it would be hidden. This is what H.R. 4994 proposes. A retail customer could not be confused by any reference to the foreign origin of the label. The country of origin of the label would appear only on the turnunder portion of the label which would not be visible.

The rules promulgated under the act became effective March 3, 1960. The 45th and last of those rules excluded a short list of textile products, including labels. On that list were items such as shoelaces which would not be at all feasible to mark.

Woven labels would probably not have been excluded from the coverage of the act by rule 45, if it had not then seemed that marking of the individual woven label would confuse retail customers as to the origin of the whole garment. The present legislation would correct the error that was then made.

Section 12(b), permitting such rules, provides that:

"The Commission may exclude from the provisions of this Act other textile fiber products (1) which have an insignificant or inconsequential textile fiber content, or (2) with respect to which the disclosure of textile fiber content is not necessary for the protection of the ultimate consumer."

Each woven label is in itself a complete textile fiber product. It is not a product as to which the disclosure of textile fiber content is unnecessary. If the manufacturer intends that the label will remain attached and attractive for the life of the garment, then the fiber content is relevant in the same way as it is to the buyers of other finished textile products. The proposed legislation is aimed to require the weaving in of the country of origin but not of the textile fiber content.

The proposed amendment is limited in scope because unfair competition in the woven label field has taken the form of concealment of the country of origin and not of the fiber used in weaving the labels.

As discussed above the ultimate consumer of woven labels is the manufacturer whose product will be promoted and identified by such labels. Notice of country of origin to such manufacturer is the notice which is required to carry out the general intent of the act.

It would appear that the exclusion of woven labels under rule 45 was based neither on a low textile fiber content in labels or on any finding that the disclosure of the textile fibers used is unimportant to the buyers of labels. The regulation was based, rather, on the misunderstanding that then existed as to how the individual labels would be marked and on the confusion that any marking on the face of the labels might cause to retail customers. Now that such misunderstanding no longer exists it would appear that the only logical reason for excluding woven labels from the coverage of the Textile Fiber Products Identification Act has been removed.

III. INDUSTRY EFFORTS TO REMEDY THE EXCLUSION OF WOVEN LABELS FROM THE COVERAGE OF THE ACT

Since the requirement of individual marking of labels by country of origin ceased to be required, in the midfifties, by interpretation of the Bureau of Customs, the industry has sought to correct the confusion which has followed as to which labels are of domestic and which of foreign origin.

The marking of that country on packages of labels has proved entirely inadequate in disclosing to the ultimate buyer of labels, the garment maker, that country of origin.

Labels are woven in continuous fabric strips, packaged in rolls of 500 or 1,000 per roll. An importer of labels resells and ships them to the garment maker, their ultimate consumer, in any of the following ways:

1. In the original package received from the country of origin;
2. Repackaged and under the importer's own brand name, with the labels then losing their identity as the product of another country; and
3. After cutting the individual labels from the roll and placing them in unmarked containers, the labels again losing identification of their country of origin.

Most labels are delivered in this cut and folded form and not in rolls.

The purpose of marking legislation is not achieved where the final buyers of labels within the United States frequently receive labels whose country of origin is not identified.

Prior to passage of the act, woven label mannfacturers, along with others in the textile industry, had sought its enactment.

The woven label industry believed that, with the enactment of that legislation, its requirement of fair competition, and proper marking would cover labels along with finished textile products generally. With the promulgation early in 1960 of the rules as determined by the Federal Trade Commission, it became clear that equal treatment was to be denied the woven label industry. Virtually all other finished textile products would have to be marked with country of origin, but not woven labels.

Both prior to, and since the issuance of the rules, the woven label industry has presented to each of the Federal agencies involved its position that treatment of the industry is anomalous and unfair.

In December of 1958 the industry attempted to secure from the Bureau of Customs an interpretation that woven labels would have to be individually marked with the country of origin.

On February 16, 1959, a formal statement by the industry was submitted to the Division of Classification, Entry, and Value of the Bureau of Customs. This statement argued in detail that the 1925 decision of the Court of Customs Appeals in the *Artistic Weaving* case, supra, should still govern the Bureau's practices. That case had dealt directly with woven labels and determined that individual marking was both practical and required. No later determination by Congress or any decision by the courts furnished any basis for a change. The unrelated decision in the *Gibson-Thompson* case, supra, relied on by the Bureau was there distinguished.

Also in 1959, a brief was submitted to the Federal Trade Commission in opposition to the proposed exclusion of woven labels under its rule 45 from the coverage of the Textile Fiber Products Identification Act. That brief pointed out that the Commission was planning to exclude woven labels from the normal coverage of the act without any affirmative case as to why it should create such an exception. Congress having set a general policy, no item should be treated contrary to that policy without a compelling case as to why an exception should be made. Apparently, the only argument in favor of the exception that was made to the Commission was the point about confusion to the retail public arising from "made in (country of origin)" appearing on the face of the label. That argument was based on the misunderstanding discussed above. Apart from that misunderstanding, there was no valid reason why woven labels were not to be treated in accordance with congressional policy. Mr. Joseph Krause, international vice president of the United Textile Workers of America, AFL–CIO, representing many woven label workers, also appeared in opposition to the exception.

In September of 1960, a complaint against deceptive practices by a major importer of foreign woven labels was presented to Mr. Earl Roberts of the staff of the Federal Trade Commission. In that particular instance, the importer had misrepresented certain American-made labels offered by another firm as being of foreign origin. Far more common, of course, is the practice of repackaging foreign labels so that they will appear to be of American manufacture.

The association has made numerous other attempts to prevent deceptive practices in connection with the importation of foreign labels. No practical way of preventing such concealment, apart from legislation, has been found during more than 3 years of effort. The proposed legislation requiring the individual marking of all foreign made labels would effectively and simply prevent any confusion of foreign made labels with American made labels.

IV. THE PROPOSED LEGISLATION

The proposed legislation will simply provide that woven labels not individually marked will be considered misbranded under the terms of the act. It provides for parallel treatment under the Wood Products Labeling Act of 1939 for any labels which come within the terms of that act.

The purpose of the act requiring the marking of textile products with country of origin is to put before the ultimate consumer the fact of foreign origin for whatever effect this fact may have on his decision to buy or not to buy. The ultimate consumer is entitled to weigh the fact of foreign origin along with price and appearance and representations as to the quality of the product. The buyer may feel that in his experience the particular country of manufacture may be either an encouraging or a discouraging factor in assessing the probable quality of the product.

Buyers of virtually all finished textile products from abroad are at present given the assistance of the act.

It should be stressed that H.R. 4994 merely requires that congressional policy as to textile products generally shall apply to woven labels. Currently, only the boxes containing foreign made labels need bear the country of origin. Such minimal marking requirements seem merely an invitation to deceptive practices. Numerous instances in which foreign origin was concealed have been investigated. Whatever steps were taken, without the benefit of the proposed legislation, however, have proved ineffective. Numerous letters from firms cutting and folding labels in the United States have pointed out to our association that under the present requirement it is easy enough for the cutter and folder as well as for the garment maker to be unaware of the foreign origin.

Clearly, the present requirements as to the marking of boxes alone are entirely inadequate to carry out general congressional policy and to give notice of the country of origin.

The object of the proposed legislation is to give the final buyers of woven labels in the United States the same information on country of origin as is given the ultimate consumers of other finished textile products. That legislation is intended to bring about fair and open competition, entirely apart from price, between foreign and domestic woven labels.

The present exemption from the marking requirements of the Textile Fiber Products Identification Act is anomalous and without any logical basis. The treatment of woven labels under the proposed legislation would only be that required now as to all other finished textile products.

LOUIS CHANDLER,
Attorney for Woven Label Manufacturers of the United States of America.

Mr. CHANDLER. Thank you, sir. The industry is composed of a group of companies having employees in practically every State of the Union. Factories are located in States ranging from Maine to California and some factories employ workers who live in several States, as for example, a factory in Maryland which is on the West Virginia line employs a number of workers living in the Second Congressional District of West Virginia.

I had hoped that Mr. Van Deerlin would have stayed for a moment because I also made a reference, as you will note, to a factory in California, so there is no attempt to discriminate in any way in the presentation of the evidence.

The proposed legislation would require that woven labels be marked with the country of origin, in the same way that virtually all other finished textile fiber products imported into the United States must be marked, instead of requiring, as is presently the case, that only the container be marked. The bill is in accordance with longstanding congressional policy that the ultimate consumer of any marketable product imported from another country should be informed, by its marking, of the country from which the product was imported.

The industry is not seeking any special consideration, but only the same treatment as to foreign goods that other manufacturers in the United States have been accorded.

We urge support for this bill in order to reestablish fair competition between American-made and foreign woven labels. The marking legislation that is here proposed does not in any way interfere with competition based on price nor on quality or delivery time. It does not run counter to national policy in favor of expanding world trade. It is not the kind of practice which this country has urged other nations to give up in favor of a less restrictive world economy.

It only requires that foreign-made labels may not masquerade as a domestic product.

The basic history I would like to touch on briefly. The statement that you have will speak for itself and I don't intend to read it, since

it is in the record, but the basic history involving the marking requirements as to woven labels can be traced back to a legislative enactment in 1922 which was further buttressed and repeated through the 1930's and into 1939 in which there was the requirement that every article imported into the United States that is capable of being marked, without injury to it, during its manufacture should be marked to indicate the country of origin, and, interestingly, in 1925 the Customs Appeals Court stated that this law applied to individual woven labels.

This was done in the *Artistic Weaving* case, which is cited in our statement, where basically an attempt was made to include a roll of labels, maybe 500 or 1,000 labels in a bag, whether it be a paper bag, or a box, or some other kind of container, and the container was marked; and the court stated in that case that each label was an individual article, that this wasn't the case of a material, whether it be a raw material or some semifinished kind of material that would become a component of a completely new article, and therefore the court held that each article had to be marked separately.

The court in that particular situation also quoted from another case which involved cigar bands, which stated that basically the imported article is not the bundle or package of cigar bands; it is the cigar band itself, manufactured for a particular purpose and use, put into packages for convenience; but, nonetheless, the character of the individual article had not been changed by putting it up in packages containing 100 similar articles, and the court held in that case that the cigar band was a manufactured article and is the article of importation and applied that rule to individual labels, even though labels too became part of another product, but for a basic identification purpose just as the cigar labels.

Then this continued through until 1954 when the same court in another case called the *Gibson-Thompson* case, which is also cited, held that pieces of wood that were imported and marked with the country of origin need not be remarked to continue to show the country of origin to a retail customer after it had been manufactured into a new article, which was a tooth brush. The bristles were inserted in the end of the wood and the marking therefore disappeared. The ultimate purchaser was held to be the manufacturer, which is our contention as well.

We are not talking about the ultimate purchaser being the retail customer. We are delighted with the position taken, as a matter of fact, by Mr. Daniels of the United States-Japan Trade Council, because we agree with him; we are not trying to involve the ultimate retail customer in any way, but when he says the manufacturer should know, this we agree with. The clothing manufacturer should know directly from each imported article; that is, each woven label. He cannot be expected to be apprised of this information from getting a box that may come to him from a jobber who buys these labels from outside of the country, or from a label manufacturer who himself may buy labels from outside of the country and repackage them in another box of his own, so that the clothing manufacturer is not aware of the fact that he is getting a label from another country.

This is the kind of unfair competitive practice that we seek to avoid and to nullify. Unfortunately, after the *Gibson-Thompson* case, what happened in that situation was that the Bureau of Customs applied

the rule on many materials across the board and they exempted such things as blades for screwdrivers, and fiberboard going into the manufacture of shoes, and shirt sleeves which became a component of a shirt, but they also in this apparent haste to consider everything as coming within the purview of the *Gibson-Thompson* case, as a routine matter exempted from the marking requirements the individual woven labels without having regard for the court case which had said woven labels are each articles that are susceptible and appropriate for marking.

In fact, the same court had held that not only were they separate articles for marking purposes, but that they were not manufacturing components of a new article. In order to remedy this situation this industry backed the Textile Products Identification Act of 1958, which required that imported textile fiber products must show the country of origin, but that act in a subsection 12(b) gave the Federal Trade Commission the right to make exclusions from the provisions of the act and the FTC in 1960 excluded woven labels, apparently again because of misinterpretation of the *Gibson-Thompson* case and because they just followed the earlier administrative ruling of the Bureau of Customs. It is, therefore, a fact that the sole requirement presently in effect is that only the box or bag or wrapper in which the labels are shipped from the country of origin need be marked.

The labels arrive in the rolls, as we have already indicated; the domestic jobber may repack them, or the domestic label manufacturer who finds for one reason or another he wants to buy from some other country may repack them in their own boxes, which are not marked with country of origin, and the unmarked labels are then shipped to what Mr. Daniels in his statement says is the ultimate purchaser who should know, who should be apprised, but who isn't apprised; so that we are in accord in fact not only with this comment, but with the Departments of Commerce and Treasury when they say that the ultimate purchaser is the clothing manufacturer.

We fully agree that this should be so, and the label, therefore, when we say that its hould be marked, as will appear from the testimony of an industry representative, the only other witness who will appear, with an exhibit, this identification would go on the turnunder portion of the label and would disappear after the clothing manufacturer put it on the back of his shirt collar or on the inside of his coat because it would be sewn in, and there is provision on every label for this kind of a turnunder, and in this turnunder appears sometimes trademarks or other kind of insignia.

The basic reason for the legislation as we look at it is the reason that Congress itself has set forth in the Textile Fiber Products Identification Act, and it reads "an act to protect producers and consumers against mismarking" and so forth.

It reads:

> The importation into the United States of any textile fiber product which is misbranded shall be an unfair method of competition and an unfair and deceptive act or practice in commerce under the act.

And this is all that we are addressing ourselves to. We will compete to the best of our ability as an industry with industry wherever it may be in this world, but it should be on the basis that Congress has outlined, fair competition.

Certainly nobody can come into this room and argue before you, Mr. Chairman, or your committee that they want to engage in unfair competition. The statements that are made by those few opponents to this legislation as to the construction to be given the *Gibson-Thompson* case are erroneous because actually that case only holds that the retail customer need not be appraised of the country of origin where imported articles change their identity and become a new article. This is what we talked about a moment ago.

We are not talking about retail customers. As I have already stated the courts have held that woven labels are not articles that change in their material form in any way; but most important, the *Gibson-Thompson* case actually stated not only that the loss of the marking during the reprocessing was no violation, and this is where the Department of Commerce missed the point and where the other opposing statements also miss the point because, and I am quoting from the decision itself, "At the time of their importation the involved articles were marked in such manner as to indicate to the ultimate purchaser in the United States, that is, the manufacturer of the tooth brushes and hair brushes, the country of their origin."

And this is all that we say we want, to avoid having the packages as the sole means for notifying the clothing manufacturer, because he may never see the package, that the product itself should be so marked that the clothing manufacturer, who under *Gibson-Thompson* is the ultimate purchaser, would be appraised of the foreign country of manufacture. I reiterate the retail customer thus would not be notified. The industry does not want him to be notified any more than the Departments of Commerce or the Treasury or the Japan Trade Council wants him notified.

There are several brief comments that I want to make only with reference to the statements that are on record and presented to you in this hearing by the several parties who filed them in opposition to the bill, and one particularly was to the effect that the industry should have gone through various other channels. The industry has been doing this for the last 5 to 6 years.

The Treasury says that there is a long record of approaches by the industry to the Treasury Department and that the Treasury Department, in fact, referred the parties to Customs.

We have, dated February 16, 1959, a brief that runs some 14 or 15 pages addressed to the Division of Classification, Entry, and Value, Bureau of Custom, Treasury Department, getting into the background and the problems that are involved in the selling of labels by domestic jobbers to customers who are clothing manufacturer and the problems that the clothing manufacturers have when they have complaints against foreign labels for bleeding or shrinkage, or even when there are exact copies of the labels made by American manufacturers, claims made against an American manufacturer, who then has to turn to the manufacturer of the garment who has put the label into his garment and comes to the woven label manufacturer with the complaint and the domestic label manufacturer says "You may have exactly the same label, but your jobber didn't buy it from us. He bought it from some foreign company."

These incidents have actually happened, so I want to repeat the statement made by the legislative counsel of the United States-Japan

Trade Council. He is referring to both bills that are being heard today, while we are talking only about H.R. 4994, because ours is an article that goes to the ultimate purchaser, that is, the manufacturer of the garment, in its final finished form and not as a material that is made into a new product. H.R. 4994 would serve no purpose, he says, to inform customers or to prevent misrepresentation and deception in the marketing of articles in U.S. commerce.

Actually, H.R. 4994, the bill that we support, does serve that purpose. As a matter of fact his argument supports H.R. 4994 because he goes on to say, quoting from the GATT setting forth principles governing marks of origin:

"Contributing parties recognize that, in adopting laws and enforcing regulations relating to marks of origin" there are difficulties and inconveniences, but due regard should be had to the necessity of protecting consumers against fraudulent or misleading indications.

This is the kind of thing that we are talking about. Mr. Daniels of the United States-Japan Trade Council, in his written statement is in agreement with the basic principle that the clothing manufacturer should be apprised of the country of origin. His objection, as well as that of Commerce and Treasury, is that they have misconstrued the purpose of the proposed legislation. They were apparently of the opinion that there was a requirement that the retail customer be notified. This is not the intent of the bill and it does not so state. There is no legislative change in the interpretation to be given to the term "ultimate purchaser." It would be the clothing manufacturer. This is what we are talking about. Under all of the circumstances, knowing the sympathy that our opponents have with our position, despite the written word that is being submitted here, and knowing that the general legislative intent of the act is to protect the free trade and commerce on a fair competitive basis, we support this bill and urge your support.

Mr. Alex Johnson, assisted by Mr. Jim Rennie, would like to present a statement.

Mr. STAGGERS. We will not be able to hear it now, unless they just want to present it for the record, because we will be in session and I would have to get permission to proceed after this quorum call. If they just want to present a statement for the record I would be glad to have them do that, but if they want to present it orally, I will have to get permission to come back.

Mr. CHANDLER. I think they would rather stay.

Mr. STAGGERS. All right. I will try to get permission.

The committee will adjourn until 2 o'clock.

(Whereupon, the committee recessed at 12:27 p.m., to reconvene at 2 p.m., the same day.)

AFTER RECESS

(The subcommittee reconvened at 2 p.m., Hon. Harley O. Staggers, chairman of the subcommittee, presiding.)

Mr. STAGGERS. The committee will come to order.

At this time we will be glad to hear from our colleague, Mr. Macdonald of Massachusetts, author of one of our bills.

STATEMENT OF HON. TORBERT H. MACDONALD, A REPRESENTATIVE IN CONGRESS FROM THE COMMONWEALTH OF MASSACHUSETTS

Mr. MACDONALD. Thank you very much, Mr. Chairman. I appreciate the opportunity of appearing here this afternoon in support of my bill H.R. 4994 which would amend the Textile Fiber Products Identification Act and the Wool Products Labeling Act of 1939 in order to require that imported woven labels must have woven into them the name of the country where woven.

As a Representative from the Commonwealth of Massachusetts, I am deeply concerned about the serious economic plight faced by the American textile industry today. High wage-paying manufacturers, in New England as well as other sections of the United States, are being menaced daily by the importation of cheap textile products. The woven label industry is an important segment of our textile industry. The legislation which I have introduced seeks to accord no special advantage to manufacturers of woven labels but rather seeks to accord the woven label industry the same marking regulations as that required of other finished textile products imported into the United States.

When Congress enacted the Textile Products Identification Act in 1958, the woven label industry viewed the provision in the act relating to the requirements for marking textile products as calling for the treatment of woven labels equal to that accorded other finished textile products. However, the Federal Trade Commission promulgated a regulation excluding woven labels from the requirements of the Textile Products Identification Act. The regulation was based on a misunderstanding by both retailers and the Federal Trade Commission that the marking of country of origin on individual woven labels would confuse the buying public as to the origin of the whole garment. It was assumed that the country of origin would be woven into the portion that necessarily would be shown to the retailing public. However, a manufacturer might weave the name of country of origin into the turnunder portion of the label where it would be hidden.

I introduced H.R. 4994 to clear up this misunderstanding caused by the belief that marking requirements for woven labels would confuse retail customers. This legislation will serve to put on notice the ultimate consumer of woven labels; namely, the manufacturer whose product will be promoted and identified by such labels.

Under present law, imported woven labels need only carry the country of origin on the box or container in which they are brought into this country. I have been informed by representatives of the woven label industry that this requirement has given rise to deceptive practices; such as, the repackaging of foreign woven labels so that they appear to be of American origin to manufacturers.

H.R. 4994 seeks to maintain the longstanding congressional policy that the ultimate consumer of an imported product be informed by its marking of the country from which it was imported. A regulation of the Federal Trade Commission has placed the woven label industry in an anomalous and unfair position which sets labels apart from all other finished textile products. H.R. 4994 in no way calls for a reduction of the importation of woven labels from other countries. It does

seek to bring about open and fair competition between fnreign and domestic woven labels by requiring that the final buyers of woven labels be given the same information on country of origin as is given the ultimate consumers of other finished products.

I want to thank you again, Mr. Chairman, for allowing me the opportunity and the privilege to testify here before this committee. I would be very happy to answer any questions if there are any.

Mr. STAGGERS. Well, my colleague from Massachusetts, as a member of this committee I have no questions to ask you but I would like you to come and sit with me on the committee if you will while we hear the rest of the witnesses.

I would say this: I congratulate you on your attention to the problem and to the people that you represent and to your bills in carrying out your intentions to try to be helpful in introducing this legislation. I say to the people you represent that you certainly are trying to do your job as you see it in their behalf.

Mr. MACDONALD. Thank you very much, Mr. Staggers.

Mr. STAGGERS. We are ready for our next witness. Would you come forward and identify yourself? I believe the rest of these gentlemen will probably submit a statement for the record. We are trying to accommodate you gentlemen since you are here today in order that you may not have to stay over another day.

STATEMENT OF ALEXANDER JOHNSON, ARTISTIC WEAVING CO.; ACCOMPANIED BY JAMES M. RENNIE, LABEL WEAVE, INC.

Mr. JOHNSON. I am Alex Johnson of Artistic Weaving Co., a domestic woven label manufacturer, of Pompton Lakes, N.J. We have plants also in North Carolina and in Nebraska.

Here are my comments: Country of origin marking requirements, whether stipulated under the Textile Fiber Products Identification Act or under the Fur Products Labeling Act, or any exclusion from a requirement of marking, in either case revolve around the basic marking law which is contained in the Tariff Act of 1930, as amended.

In substance, the act provides that every imported article be legibly and permanently marked as the nature of the article will permit. The act necessarily also provides an alternative of marking just the container of an article under certain circumstances. Fundamentally that would be where the article itself could not physically be marked, such as yarn put up in a bundle. You cannot mark yarn so you mark its wrapping or its container. Some articles would be marred by marking, so you mark the container. Some other articles could be too costly and burdensome to mark individually, so there again, you are permitted to mark the container.

If no such governing circumstances prevail—if marking the article can be done at practically no cost, no separate operation, and no impairment whatsoever to the use or appearance of the article and where in fact the marking completely disappears from view once the article is put to use, in such a situation there are no valid grounds to dismiss the basic marking requirement of the law. You must then come to the conclusion that any request from an importer for exemption from individual marking requirement for an article such as the one described,

can yield only one result; namely, possible nondisclosure of the country of origin of the article in contravention of the law's intent.

In any such matter as the one presently under review, there is always reason to expect that State or Treasury or Federal Trade, or Commerce, one or all, will enter the proceedings automatically, being properly on the alert as to whether some undue curb on imports and trade is being attempted.

We flatly disclaim anything of that nature. We strongly endorse the principle of fair trade between nations who enjoy friendly relations. We recognize where economic relief is indicated, the appropriate avenues are tariffs, antidumping, or quotas. We are entirely outside of those realms in this present matter and completely disassociate the present marking request from any such question or issue.

If, on the other hand, any other party at interest, either commercial or governmental, seeks to intrude with an allegation that insistence on proper marking of a qualifying article is in some strange way an attempt to curb imports, any such allegation should be given no consideration and should be rejected. Any representation that proper marking might operate as a curb on trade is an attack on the marking law itself, However as long as the marking law is on the books, it must be administered without discrimination to cover all qualifying articles.

Now, as to the request for individual marking of woven labels, each woven label is a unit, and is used singly. They are woven on jacquard process looms which are the same the world over. The jacquard machine is mounted above the loom, and by guidance of perforated cards laced together to resemble a piano roll, controls the rise and fall of what you might compare to puppet strings. These suspended strings, in turn, guide the interweaving of the label warp in relation to the cross weaving by shuttles of separate yarns which combine to form the ground fabric and the wording interwoven in it, the wording being referred to as "figure."

The controlling cards were machine perforated by guidance from a hand-painted design done on graph paper which delineated the respective warp and figure yarns which would create the finished label.

At this point, Mr. Chairman, I have some exhibits to show. Could I have your permission to have assistance?

Mr. STAGGERS. Yes.

Mr. JOHNSON. Would it be poaching if he walked into the congressional area here?

Mr. STAGGERS. No, sir.

Mr. JOHNSON. Mr. Rennie?

Mr. RENNIE. Would it be permissible to spread these here?

Mr. STAGGERS. Anything in reason.

Mr. JOHNSON. Exhibit I herewith——

Mr. RENNIE. This is the making of the hand-painted controls, the cutting of the cloth which in turn controls the rise and fall of it.

Mr. JOHNSON. So exhibit I herewith is a jacquard design as last referred to and was the guide for cutting the perforated cards to control the weaving of label herewith showing featured wording "Wash and Wear" and marked "Exhibit I–A."

Mr. RENNIE. Here is an example of the label.

Mr. JOHNSON. This label is without country-of-origin marking.

Mr. RENNIE. Mr. Chairman, you might wish to compare this.

Mr. JOHNSON. It can be seen, the vast amount of brush strokes that went into the job of painting this design. Now, in order to provide country-of-origin marking you do not do a thing with the original design, exhibit I; you simply combine with it the very small supplementary design piece which reads "Japan" just for the purpose of this illustration, the same being marked "Exhibit II."

Mr. RENNIE. I will have to show you this again, Mr. Chairman.

Mr. JOHNSON. Now, by comparison with exhibit I, you can see the very negligible amount of brushwork involved in creating the country of origin.

Exhibit II–A shows the label so marked.

Mr. RENNIE. This is the label.

Mr. JOHNSON. It would be impractical to bring here the complete card pattern used to weave the "Wash and Wear" label. Suffice it to say exhibit I–A, without marking, represents 788 cards laced together and these cards have 56,737 perforations. We do show here the cards involved in weaving the marking of label exhibit II–A. They are 6 in number and contain 185 perforations and are marked "Exhibit II–B"; and the weaving operation by this very insignificant card change automatically includes the marking wording in the completed label.

Mr. RENNIE. This is caused, Mr. Chairman—would be cut for the main, to be woven in as compared with the vast amount of cards. Incidentally, these cards, Mr. Chairman, can be reused again with other labels. You do not have to recut for every one, merely by adding these cards.

Mr. JOHNSON. Now, as to materials used: 1,758 inches of yarn went into the weaving of the label I–A without the marking and 3 inches of yarn were added to include the marking. That is why we say that the marking of each woven label can be done at practically no cost and involves no separate operation, but instead, is accomplished in one and the same basic weaving process by which the completed label is produced.

Next, on the matter of marking as related to the use of the woven label, it is recognized that the origin of a woven label is of no significance to the ultimate consumer of an article to be labeled and at that point the label should show no marking. Here again this product fully qualifies for marking.

Exhibit III shows——

Mr. RENNIE. These are actual physical labels, Mr. Chairman and Congressman, showing the various ways that the strip comes off the loom. There is one marking and the label that is turned under. There is no country of origin on it. This is the way it is attached to the graph.

Mr. JOHNSON. Just to review that, then:

A. A label of conventional form featuring "Wash and Wear" wording as it comes off a loom in strip form—no marking.

B. The same unmarked label, end folded or turned under, ready to sew in.

C. The same unmarked label as sewed into the product to be labeled.

AA. The same label in strip form—containing country-of-origin marking "Japan" in the turnunder or sew-in area.

BB. The same label, with the sew-in area turned under, in which manner only can the label be used. Mark still shows. Label not yet used.

CC. The same label sewed into a product. The country-of-origin marking has disappeared. The marking complied with the law up to the point of the imported label use, then ceased to be seen, in effect ceased to exist.

Mr. RENNIE. Mr. Johnson, could I interrupt there? I think this answers very clearly Mr. Macdonald's previous statement concerning confusion of the ultimate consumer and the retail consumer.

Mr. STAGGERS. You mean this being turned under?

Mr. RENNIE. Yes; because it does not show country of origin in a suit or shirt as the whole garment being made from the country of origin.

Mr. JOHNSON. At this point, after use, there is no final, visible difference whatsoever between label C with no marking and label CC with country-of-origin marking. They both look and are exactly the same. The only difference is label CC with marking, though now hidden, complied with the law's intent. Label C, if imported without marking, failed to do so without supporting reason.

Exhibit III includes labels subject to other sew-in methods:

D. Shows a label in strip form featuring "Custom Tailored" no marking.

E. Shows the same unmarked label, bias folded with the folded ends in stickup position for insertion under a seam of a garment, usually at the inside of a collar line.

F. Shows the same unmarked label now sewed into the garment.

DD. The same label in strip form with country-of-origin marking, this time by way of illustration "Germany" in turnunder in sew-in area.

EE. The same label cut and bias folded, ready to sew into a garment seam, still marked.

FF. The same label now sewed in. The marking was in the sew-in area of the label and has disappeared.

Mr. RENNIE. Part of this, Mr. Chairman, is the fact that this is one method of cutting the fold, this is another method, and this would be the third method.

Mr. JOHNSON. G. Label reading "Pants Land" illustrates another method of sewing a label—here now in strip form, no marking.

H. The same unmarked label pinked-cut to retard fraying and providing sewing margin at the top for insertion under a garment seam.

I. The same unmarked label, now sewed in.

GG. The same label in strip form, now marked in the sewing margin and for illustration showing "Sweden" as the country of origin only up to time of use.

HH. The same marked label, individually cut and ready for use.

II. The same label sewed into the garment, the marking gone, and the label originally foreign marked now no different from the unmarked label I, still complying with the law's intent up to time of use.

Mr. RENNIE. Mr. Chairman, Congressman, I think the confusion in the past has been there would be some exception by having the

country of origin deface it and confuse the retailer or ultimately the consumer. That eliminates that.

Mr. JOHNSON. Nearly all imported woven labels are bought by domestic importing jobbers who then resell to the label customer. The labels enter, packed in multiple-case lots in which the different customer labels are combined and then removed for delivery to each customer. Some of these labels come in, put up in continuous strips wound on rolls like exhibit IV reading "U.S. Army"——

Mr. RENNIE. This is exhibit IV.

Mr. JOHNSON (continuing). And before delivery to the customer are cut apart and folded and packaged as in exhibit V, and it would be routine to ship to the customer in domestic boxes.

Mr. RENNIE. In other words, if the labels are cut in this country and put on the boxes. This is the same one that was cut.

Mr. MACDONALD. Are you saying that these U.S. Army labels are made in some foreign country?

Mr. JOHNSON. No.

Mr. RENNIE. No, just for illustration.

Mr. JOHNSON. This was taken at random for illustration.

Mr. MACDONALD. I see.

Mr. RENNIE. Keep that as a souvenir, if you want it.

Mr. JOHNSON. Some imported labels are stocked in bulk for stores along with domestic labels, and sold piecemeal to the stores' garment makers with no practical manner of isolating and maintaining foreign source identity. In short, even at best, any adequacy of label marking via the container is a chaotic thing to control and impossible to assure maintenance of marking up to the time of delivery to the user.

Based on all the foregoing, favorable consideration of H.R. 4994 is respectfully requested.

Mr. RENNIE. Shall I give these exhibits to the clerk, Mr. Chairman?

Mr. STAGGERS. Well, I don't know. Should they or should they not?

Mr. PAINTER. We do not need them.

Mr. STAGGERS. All right. I was wondering before the full committee if they might be needed. It might be wise if the clerk would have them, I believe.

Mr. PAINTER. We could keep them until the full committee.

Mr. STAGGERS. If you would, let the clerk keep them and if we need to have anything brought before the full committee we can explain it.

Mr. RENNIE. Thank you.

Mr. STAGGERS. Thank you, Mr. Johnson.

I have only one question. This must run into considerable money from the effort you are making here today and with the advent or the introduction of this bill. Do you have any figures to show what amount of money is involved in the buying of these abroad? I mean what the amount of business runs to?

Mr. JOHNSON. The value of the imported labels?

Mr. STAGGERS. Yes, what is the quantity and the amount of money involved in it?

Mr. JOHNSON. We don't have any precise statistics on it or a source of information, but there is an assumption that the domestic industry may be—let me put it this way: Yearly the woven label industry may be $25 million, and 25 percent of this may presently be coming in from foreign sources.

Mr. STAGGERS. The industry would use approximately $25 million during the year?

Mr. JOHNSON. Yes.

Mr. STAGGERS. And you assume that probably one-fourth of that is coming in from foreign countries?

Mr. JOHNSON. Approximately. That would seem a safe assumption.

Mr. STAGGERS. That would be around $6¼ million?

Mr. JOHNSON. It could be. That would be predicated on domestic values, I would say, because the Japanese labels cost a lot less than the domestic labels, a lot less.

Mr. STAGGERS. Than from Germany, and I believe from Belgium, too, coming in from all the different countries?

Mr. JOHNSON. Some little from the other countries, but there is one nation that I think accounts for the predominance of the imports.

Mr. STAGGERS. I noticed in your testimony you say that you believe in free trade, or you don't quite say it that way; you say that:

We strongly endorse the principles of fair trade between nations who enjoy friendly relations.

Mr. JOHNSON. Correct.

Mr. STAGGERS. Then your contention is that this won't have anything to do with the trade, but that it should just be marked as to where it comes from?

Mr. JOHNSON. That is precisely it.

Mr. STAGGERS. You are not trying to prohibit it.

Mr. JOHNSON. No. That is precisely it. There is an article on the legislative books that provides for marking of qualifying articles and we maintain this is one such qualifying article and it should not be discriminated against, just in the interest of fair competition. Whatever the fairness of the marking law is, let the result fall as it may, and the law should be complied with, we feel.

Mr. STAGGERS. Well, fine. Thank you very kindly. Do you have any questions?

Mr. MACDONALD. Just one. Is it correct when the people in Massachusetts told me that early, when this regulation came out, they thought they were going to be afforded the same protection as any other kind of textile product?

Mr. JOHNSON. That is correct.

Mr. STAGGERS. And your main contention is you don't think all the labels should be discriminated against in the textile field; is that correct?

Mr. JOHNSON. That is precisely it.

Mr. MACDONALD. Thank you.

Mr. STAGGERS. I think that is all.

Mr. JOHNSON. Thank you very much.

Mr. STAGGERS. Thank you very kindly for your testimony.

Do we have any other witnesses who want to appear in person to testify on this bill?

If not, we would be happy to have any testimony or statement anyone might wish to submit for the record.

Mr. CHANDLER. I would like to submit on behalf of the industry a statement in rebuttal to any statements that have been filed in opposition.

Mr. STAGGERS. What is that?

Mr. CHANDLER. I should like to submit on behalf of the proponents of this bill a written statement in rebuttal to some of the written statements that have been filed by opponents of the legislation.

Mr. STAGGERS. I think that is fair enough, if you have a certain time. There will have to be a time limit on it because we want to get into the executive session. We would have to have it before that time. What time would you need?

Mr. CHANDLER. When do you want to get into executive session? We will have it in before then.

Mr. STAGGERS. Can you have it in this week?

Mr. CHANDLER. Yes.

Mr. STAGGERS. Produce that for the record and that shall be put into the record.

If there is nothing further, the committee is now adjourned.

(The following material was submitted for the record:)

NATIONAL COUNCIL OF AMERICAN IMPORTERS, INC.,
New York, N.Y., November 4, 1963.

HON. OREN HARRIS,
Chairman, Interstate and Foreign Commerce Committee,
House of Representatives,
Washington, D.C.

DEAR MR. HARRIS: We are informed that your committee will hold public hearings on November 6 on the following bills:

H.R. 4994, introduced on March 19, 1963, by Representative Torbert H. Macdonald proposing to amend the Textile Fiber Products Identification Act and the Wool Products Labeling Act of 1939 in order to require that imported woven labels must have woven into them the name of the coutnry where woven; and

H.R. 5662, introduced on April 11, 1963, by Representative Willard S. Curtin proposing to prohibit the introduction into interstate commerce of any shipping container manufactured in the United States from imported steel unless the container is marked so as to indicate the country of origin of the steel.

Our organization desires to go on record in opposition to both of these bills and respectfully requests that this letter be incorporated in the report of the public hearings.

As a matter of general principle, the National Council of American Importers objects to special marking provisions to indicate the foreign country of origin of materials used in the manufacture of domestic articles made in the United States, such as proposed in H.R. 5662. While this particular bill deals with a special situation, if a similar requirement was to be given broad application, thousands of products manufactured in the United States with the use of imported materials or component parts would have to have such foreign materials or parts identified as to the country of origin. It is well known that nearly two-thirds of our annual total imports are either raw materials or semimanufactures that are essential for the production of domestic articles, either because such foreign materials and semimanufactures are not available at all in the United States, or are domestically produced in insufficient quantities. In many other cases the imported materials or component parts are different in grade or quality for the product to be domestically produced. To single out imported steel used in the manufacture of domestic shipping containers would, therefore, set a very undesirable legislative precedent.

In the case of H.R. 4994 we respectfully submit it would be very misleading to the consumer to have imported woven labels show the foreign country of origin where such labels are woven. These labels are usually attached to garments and other wearing apparel and if they bear the label of the country of origin it would give the consuming public the erroneous impression that the garment or article of wearing apparel was produced in that foreign country rather than having been produced in the United States or even in another foreign country.

We respectfully submit that this proposed legislation is ill conceived and should be disapproved by your committee.

Respectfully submitted.

HARRY S. RADCLIFFE,
Executive Vice President.

BETHLEHEM STEEL CO., INC.,
Bethlehem, Pa., December 4, 1963.

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
U.S. House of Representatives, Washington, D.C.
(Attention of Mr. W. E. Williamson).

GENTLEMEN: It is our understanding that your committee has held hearings on an act cited as the Steel Shipping Container Identification Act which has been introduced by a number of Members of the House of Representatives.

The purpose of this letter is to record with your committee support by the Bethlehem Steel Co. of this bill.

The Bethlehem Steel Co. does not have any barrel, drum, or pail producing subsidiary or division and is wholly dependent upon business we can obtain from producers of barrels, drums, and pails for orders for the products our company makes to supply to this industry. This is a market of nearly 1 million tons. It is a market in which Bethlehem has historically participated and which is important, particularly to our steel-producing plant at Sparrows Point, Md.

We, and our employees at the Sparrows Point plant, have good reason to be concerned about the importation of steel mill products. All of the following products are produced at our Sparrows Point plant, and the ratio of imports to the shipments of the total domestic steel industry for 1962 are shown after each product designation:

	Percent
Wire rods	63
Drawn wire	10
Nails and staples	84
Barbed wire	78
Reinforcing bars	26
Pipe and tubing	9

Importation of foreign steel has grown steadily from relatively modest tonnages (total imports of all products at 1,707,000 tons in 1958) to an expected level in excess of 5 million tons for 1963.

As this increasing trend in imports has continued, we have observed the beginning of a trend in two other major commodity groups, hot rolled sheets and cold rolled sheets. These are the very thin flat products rolled on hot strip and cold strip mills which are supplied by the steel industry to manufacturers of barrels, drums, and shipping pails. On hot rolled sheets, for example, imports averaged approximately 4,400 tons per month in 1961, 10,000 tons per month in 1962, and reached a level of 44,000 tons in August of 1963. The 1963 level might easily average more than 25,000 tons per month. In the case of cold rolled sheets imports have climbed from 400 tons per month in 1961, to 4,300 tons per month in 1962, to an average of approximately 14,000 tons per month recently.

While these increases in the importation of the light flat rolled product of the type which we supply to the manufacturers of barrels, drums, and shipping pails would appear somewhat small in comparison to the tremendous tonnage of these products shipped by the domestic industry, we are vitally concerned with the overall excess of supply versus demand for this type of product in the world market. Traditionally, producers in foreign countries have followed a definite multiprice system in which they have marketed tonnage in the world markets at prices substantially below those charged for the same commodities in their home markets. These prices, reflecting the lower standards of living of foreign workers as compared with workers in this country, can create chaotic conditions in world markets. The United States, with its tremendous levels of consumption of such products, becomes a very attractive target for such opportunistic selling.

A good measure of what reaction to this situation can do in a market can be seen in the published reports of the problems within the European coal and steel community, where "alinement" with the lower quoted prices of imported steel has created serious situations in their markets for steel products and has led to pleas for protection in various forms ranging from quotas, to higher tariffs, to import licenses, and such restrictions.

In view of this situation, it certainly seems to us imperative that provision be made for the identification of foreign steel where used in the manufacture of steel shipping containers in which the material used is a major item, fabrication being comparatively minor. This is in no way an argument for restriction

of trade nor for similar identification of innumerable fabricated and manufactured articles containing relatively insignificant components of foreign raw materials but, rather, a plea for proper identification so that purchasers of steel shipping containers may make their decisions knowing whether or not foreign materials were used in the production of the container.

Accordingly, we would appreciate your making this letter part of the record of your hearings on the Steel Shipping Container Identification Act. The Bethlehem Steel Co. definitely endorses the proposals contained in the act and feels that the economic health of the domestic producers of these containers would be enchanced by its passage.

Very truly yours,

E. D. BICKFORD, *Vice President.*

STANDARD EMBROIDERY, INC.,
New York, N.Y., November 13, 1963.

Hon. JOHN V. LINDSAY,
House of Representatives,
Washington, D.C.

DEAR SIR: We are the American representatives of Van Engelen & Evers of Heeze, Netherland, who manufacture woven labels.

According to a pending bill, H.R. 4994, sponsored by Mr. Torbert H. MacDonald, Congressman from Massachusetts, and member of the Interstate and Foreign Commerce Committee, all woven labels will be required to have country of origin woven into each label.

The labels which we are now importing are cut and pressed individually and measure about one-half by 2 inches and are packed 500 to a box about three-fourths inch high and 2 inches wide. Each box is labeled "Woven in Holland."

Since each individual label is very small, it would be both costly, inartistic, and unattractive to have each small label carry the additional message stating the country of origin.

We believe that the present method showing "Woven in Holland" on each small box covers the purpose of the bill and implies no deception.

In view of the above circumstances, we respectfully request that we should be permitted to continue our present method of operation.

Respectfully yours,

WM. MITCHELL CANTOR, *President.*

REPUBLIC STEEL CORP.,
MANUFACTURING DIVISION,
Youngstown, Ohio., December 30, 1963.

Re proposed Steel Shipping Container Identification Act (H.R. 5662, H.R. 5673, and H.R.5675).

Hon. HARLEY O. STAGGERS,
Chairman, Subcommittee of the Committee on Interstate and Foreign Commerce, Washington, D.C.

DEAR CONGRESSMAN STAGGERS: Before the hearings are closed on the above-mentioned bills Republic Steel Corp. would like to be on record as supporting this proposed legislation. We have read, with interest, the statement of Mr. Livingston Keplinger, president of the Steel Shipping Container Institute, of which we are a member, and, in order not to burden the record, this will constitute our full and complete endorsement of that statement.

As the members of the committee know, foreign competition in steel is increasing alarmingly, in many cases due to the practice of dumping, as to which many individual steel companies (including Republic Steel Corp.) have filed complaints with the Treasury Department.

A striking example of this increase in foreign imports is revealed by the most recent Commerce Department statistics on steel sheets, the basic product from which steel containers are fabricated. In September of this year, the latest month for which figures are available, the combined imports of these various kinds of sheets totaled 78,362 tons, or over 2,000 tons more than in the first 9 months of 1961 when the combined total of imported sheets was 76,146 tons.

These are not just abnormal figures; they reflect a steady and increasing trend which already has resulted in the loss of thousands of jobs for steelworkers in

this country and which, unless arrested, will certainly result in the loss of more jobs in the future.

Republic is both a producer of the various kinds of steel sheets and the various kinds of steel drums. As a consequence, we have a dual interest in seeing that every appropriate effort is made to insure that foreign competition develops on a fair and equitable basis without the competitive disadvantages which come from such unfair trade practices as dumping, or from the lack of identification of the fabricated end product.

We respectfully request that this letter be included in the record of the hearings before your subcommittee.

Yours very truly,

P. L. BRUHN, *General Manager.*

SUPPLEMENTAL STATEMENT OF LOUIS CHANDLER ON BEHALF OF THE WOVEN LABEL MANUFACTURERS OF THE UNITED STATES OF AMERICA IN SUPPORT OF H.R. 4994

The Woven Label Manufacturers of the United States of America, appearing on behalf of H.R. 4994, appreciate the opportunity to answer certain opposing statements made at the hearing of November 6, 1963.

I. The association wishes first to answer the contention of Michael P. Daniels of the U.S. Japan Trade Council that marking of indivdual woven labels with the country of origin would confuse the retail public in buying finished garments. Our association emphasized at the hearing that such marking would be woven into the turn under portion of the label and would not be visible when sewn into a garment. This is clear from our exhibits on file with the clerk of the committee. Country of origin thus would be made known only to garment manufacturers using labels, who are the ultimate purchasers of the labels, but not to buyers of garments containing the labels. No wording on the face of the label would in any way suggest that a garment of American manufacture was made in any other country. No valid objection to individual marking or to the enactment of H.R. 4994 can thus be based on the danger of confusing retail customers.

II. As pointed out at the hearing, the requirement of individual marking of labels as it existed for many years prior to 1940 was changed by administrative interpretation of the Bureau of Customs following the *Gibson-Thomsen* case (27 Ct. Cust. Pat. App. 267 (1940)). The holding of that decision with respect to pieces of wood used to manufacture hairbrushes furnished no basis for ending the requirement that individual labels be marked. In fact, that case held that brush handles were to continue to be individually marked so that the manufacturer could be apprised of the country of origin but that they need not be so marked that the buyer of the finished brush, made in the United States, would be apprised of the foreign origin of the handle. The court decided that "at the time of their importation, the involved articles were marked in such a manner as to indicate to the ultimate purchaser in the United States—the manufacturer of toothbrushes and hairbrushes—the country of their origin * * *" (at p. 273).

There was no question that each brush handle was then marked with the country where the handle was made and that after that decision it was to continue to be so marked.

"It appears from the record that at the time of their importation the involved articles were legibly, indelibly, and permanently marked in a conspicuous place (so long as they remained in their imported condition) with the name of the country of their origin * * * die sunk on that part of the articles where, after importation, bristles were to be inserted in order to convert the toothbrush handles into toothbrushes and the wood brush blocks into hairbrushes" (at p. 269).

The domestic woven label industry asks only that imported labels be marked in the same way as toothbrush handles and hairbrush blocks were to continue to be marked after the *Gibson-Thomsen* decision. The country of origin would be woven into the turnunder portion of each imported label and the legislative purpose of the act would not be thwarted by administrative fiat.

Evidently the Bureau of Customs must have been of the mistaken impression that any individual marking of labels would necessarily appear on the face of the labels. Otherwise it is difficult to find any connection at all between the *Gibson-Thomsen* decision and the Bureau's ending of the longstanding requirement that imported labels be individually marked with country of origin.

The court in that case made some reference to handles being material for the manufacture of brushes within the United States. Labels, however, are not the material from which a dress or shirt is made, but a separate integral finished textile product in and of itself serving its own functional purpose and not converted to a new product or a new material in which its identity is lost. As Commerce, Treasury, and the Japan Trade Council have indicated, the ultimate purchaser of the label is the manufacturer. As they have indicated, he alone should be appraised of the country of origin. Weaving this information—not on the the face of the label but into the turn-under portion of the individual label—accomplishes this purpose which they support and which is legislatively required.

It is apparent that the reasoning of the *Gibson-Thomsen* decision furnishes no basis for opposition to the passage of H.R. 4994 but rather supports the individual marking for the benefit of the ultimate purchaser, i.e., the manufacturer.

III. A letter from an official of the Commerce Department, presented at the hearing, suggested that the industry should first seek relief from the various administrative agencies concerned with the marking of imports. Actually, for almost 5 years, the industry has sought from those agencies a resumption of the requirement of many years standing that individual labels be marked. The industry was understandably surprised by the position taken in that letter. The Department, in July of 1961, indicated its sympathy with the anomalous position in which the industry has found itself but stated that our only relief could be through legislation such as we are now supporting. In fact, representatives of that Department assured the industry that it would support legislation requiring the country of origin to be woven into the turnunder portion of each label.

The following is a partial list of the repeated efforts by the industry to secure a resumption of the individual marking requirement by administrative action.

February 16, 1959: Petition addressed to W. E. Higman, Chief, Division of Classification, Entry, and Value, Bureau of Customs.

September 22, 1960: Discussion with Earl Roberts of the Federal Trade Commission.

March 15, 1961: Petition to Division of Classification, Entry, and Value, Bureau of Customs.

March 15, 1961: Petition to Henry Hannah, Federal Trade Commission.

March 21, 1961: Correspondence and discussions, Walter G. Roy, Bureau of Customs.

May 3, 1961: Complaints to W. P. Howard, attorney, Bureau of Customs.

June 16, 1961: Petition to Office of Civil and Defense Mobilization.

IV. The Treasury Department letter read at the hearing pointed out that under present rules, labels are excluded from individual marking requirements if the collector of customs at the port of entry is satisfied that the labels will reach the ultimate purchaser in the unopened container in which the labels entered the United States. That container is itself marked with the country of origin, at least by a sticker. Such marking of containers only is entirely inadequate.

Labels, imported in rolls, are often cut and folded, and then repackaged and sold in packages which gave to the clothing manufacturer, who is the ultimate purchaser of the label, no indication of foreign origin. Firms which manufacture some labels in the United States may import far larger quantities, and sell imported labels in the same containers they use to sell domestic labels. Similarly, jobbers that import labels also handle domestic labels.

As Mr. Daniels, for the Japanese industry, points out (at p. 3), it is the garment manufacturer who is the final purchaser of labels. It is the garment manufacturer, and not merely the jobber or the folding and cutting firm or the dealer or manufacturer of woven labels, that marking legislation requires be given notice of the country of origin. The present practice of marking containers, but not individual labels, clearly fails to give the required notice and leads to possible deception of the manufacturer who, rather than the jobber or importing label manufacturer, is the ultimate purchaser under the act. The collector of customs has no way of checking this. His burden is completely relieved, however, if the individual label is marked as proposed.

V. The proposed legislation is entirely compatible with this Nation's efforts to reduce barriers to expanding world trade. The woven label industry seeks only to insure that the purposes of the Textile Fiber Products Identification Act, and of other marking legislation, shall be carried out with respect to labels as it is for other products. It urges that imported goods not be passed off as

products of the domestic industry unfairly utilizing the good will and reputation which that industry has developed over many years of service to American garment manufacturers.

Under present practice, an importer, or a label manufacturer who buys foreign labels, can readily ship foreign labels to a garment manufacturer without his knowing that the labels were not produced in the United States. A foreign label maker or his jobber can copy exactly a label designed by an American label maker to fill the needs of a domestic garment manufacturer. The garment maker may later be sold labels through a jobber which looks exactly the same, without knowing where the labels came from. Copies of American label makers' designs have been known to bear the trademark or symbol of the American maker, copied along with the rest of the design, including sometimes the copying even of an error in the weave.

The industry asks only that competition between foreign and domestic woven labels, viewed entirely apart from differences in prices, shall be fair. As Mr. Daniels of the Japan Trade Council himself states (at p. 3): "It would be fraudulent, certainly, if an article manufactured abroad were marked in such a way as to convey the impression to the purchaser that it was manufactured in the United States."

It is the intent of marking legislation to disclose to the ultimate buyer of foreign products their country of origin for whatever effect this disclosure may have on the buyers' evaluation of those products. That final buyer, which we agree is the garment manufacturer, is entitled to take into account any experience he may have had with shrinkage and bleeding of colors in labels from a particular country and his experience in securing delivery of additional lots of identical labels as needed. Domestic woven label manufacturers even have received complaints from garment manufacturers of label shrinkage, for example, on shirts and have found upon investigation that the labels involved were of foreign origin but were exact copies of their own domestic labels so that the ultimate purchasing clothing manufacturer was confused and misled by jobbers who imported the labels, discarded the foreign package, and repackaged the labels for delivery in an unmarked container—or possibly one marked as "Made in U.S.A."

The proposed legislation does not seek to have American products marked with the country of origin of various materials going into that product. Woven labels are themselves finished textile products which should be required to be identified to their ultimate purchasers—U.S. garment manufacturers. The proposed legislation does not require marking of labels which will be visible to the retail buyer of the garment or other article.

H.R. 4994 is intended only to insure fair practices in the sale of woven labels. It is intended to restore the requirement of individual marking of woven labels which was required following the *Artistic Weaving* case (13 Ct. Cust. Pat. App. 140 (1925)). It is intended to end treatment of woven labels which is different from that accorded other finished textile products and which is inconsistent with the clear intent of the Textile Fiber Products Identification Act. The sole purpose of this legislation is to bring woven labels back within the purview of the act, which is intended "to protect producers and consumers against misbranding" and which states in section 3(a) that "the importation into the United States of any textile fiber product which is misbranded or falsely or deceptively advertised within the meaning of this act * * * is unlawful and shall be an unfair method of competition and an unfair and deceptive act or practice in Commerce under the Federal Trade Commission Act." The Congress of the United States has seen fit to require such marking. The law should not be vitiated or administratively repealed as to woven labels. H.R. 4994 will merely eliminate the discrimination that has excepted woven labels from the coverage requirements of the act.

Respectfully submitted.

WOVEN LABEL MANUFACTURERS OF THE
UNITED STATES OF AMERICA,
BY LOUIS CHANDLER.

(Whereupon, at 2:30 p.m., the subcommittee adjourned.)

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