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IMPORTED WOVEN LABELS

(Identification of Country Where Woven)

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HEARING

BEFORE THE

SUBCOMMITTEE ON COMMERCE AND FINANCE

OF THE

COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE

HOUSE OF REPRESENTATIVES

EIGHTY-NINTH CONGRESS

FIRST SESSION

ON

H.R. 7043

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

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IMPORTED WOVEN LABELS

(Identification of Country Where Woven)

TUESDAY, APRIL 27, 1965

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

The subcommittee met, pursuant to notice, at 11 a.m., in room 2218, Rayburn House Office Building, Hon. Torbert H. Macdonald (chairman of the subcommittee) presiding.

Mr. MACDONALD. The subcommittee will please come to order. This is a hearing on H.R. 7043. The bill was introduced by me and the purpose of the bill is to amend the Textile Fiber Identification Act and the Wool Products Labeling Act of 1939.

(H.R. 7043 and reports thereon follow:)

[H.R. 7043, 89th 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 is 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 the 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 The amendments made by this Act shall apply with respect to articles entered, or withdrawn from warehouse, for consumption after the sixtieth day after the date of enactment of this Act.

DEPARTMENT OF STATE,
Washington, April 23, 1965.

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

DEAR MR. CHAIRMAN: This report on H.R. 7043, 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 letter of April 2, 1965.

The purpose of H.R. 7043 is to require that every woven label of wool or other 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. A label not so marked would be considered as misbranded under the

Wool Products Labeling Act and the Textile Fiber Products Identification Act.

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. 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.

The Wool Products Labeling Act (15 U.S.C. 68b) does not require that products be identified as to country of origin. However, the Federal Trade Commission by virtue of its administrative authority will require beginning in May 1965 that when any representation is made that the fabric in a wool product is imported, the name of the country where the fabric was woven must be set forth.

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." If such purchaser should consider the place of origin of his labels a matter of importance, he can readily require, through the terms of the sales contract, that his supplier furnish labels of the desired origin.

A principal objection to a requirement that foreign-name 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. Even if the bill overcame the possibility of deception by providing that the marks of origin might be tucked under or otherwise concealed from the purchaser of the article to which the label were to be affixed, the marking requirement would still place unnecessary restrictions in the way of trade and add costs without adding value. In certain instances the labels to be marked are so small that space and cost would make such marking infeasible. 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. Enactment of the bill could set a precedent for imposing marks-of-origin requirements on imported minor parts used in U.S. manufactures, thus creating a serious burden for American producers.

The application of marking requirements to imported woven labels would be interpreted abroad as the imposition of a new trade restriction by the United States. Such an impression will be unhelpful to our negotiations under the Trade Expansion Act, and will generally impair our efforts to secure removal of foreign restrictions affecting our exports. Japan is the principal supplier of labels woven from synthetic fibers, and the Netherlands of cotton labels, but labels from a number of other countries are also imported. The Governments of Japan and the Netherlands have submitted notes to the Department regarding a previous version of this bill and pointing out the injury to their exports that would result from its enactment.

For the reasons set forth above, the Department of State is opposed to the enactment of H.R. 7043.

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,

DOUGLAS MACARTHUR II.
Assistant Secretary for Congressional Relations
(For the Secretary of State).

THE GENERAL COUNSEL OF THE TREASURY,
Washington, D.C., April 26, 1965.

Hon. OREN HARRIS,
Committee on Interstate and Foregin 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. 7043, 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 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 has 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. 7043.

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,

FRED B. SMITH,
Acting General Counsel.

GENERAL COUNSEL OF THE DEPARTMENT OF COMMERCE,
Washington, D.C., April 29, 1965.

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. 7043, 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. 7043 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.

Under present customs practice individual woven labels are exempted from the general marking requirement under section 304 provided that the "marking of a container of such article will reasonably indicate the origin of such article" (section 304(a)(3)(D)). The Department understands that under this exemption the container which is required to be marked must reach the ultimate purchaser unopened. Generally, the ultimate purchaser of imported woven labels is considered to be the person who sews such labels on garments or textile fabrics. The Department of Commerce believes that present practice with respect to the marking of containers of imported woven labels is consistent with the principle of informing ultimate purchasers of the country of origin of imported articles.

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." Many 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 be likely to interpret the origin information regarding the label as pertaining to the entire product as well as to the label. Consequently, the proposed origin requirement on imported labels 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. 7043.

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,

ROBERT E. GILES,
General Counsel.

Mr. MACDONALD. This bill would require that imported woven labels must have woven into them the name of the country where woven.

I introduced a bill for the same purpose during the last Congress. Hearings on this bill, H.R. 4994, were held by this subcommittee on November 6, 1963, and reported favorably on May 19, 1964, House Report 1417. However, no further action was taken on this legislation either in the House of Representatives or in the other body.

I believe this is meritorious legislation and I trust that since during this Congress consideration is being given to this legislation at an early date, action will be taken on it not only by our committee, but that the legislation will be considered and enacted into law by the Congress.

I would ask consent of the committee at this point to introduce into the record the statement I gave before this distinguished subcommittee before I was a member of it last year.

There being no objection, it will be placed into the record at this point.

(The statement referred to follows:)

STATEMENT OF HON. TORBERT H. MACDONALD, A REPRESENTATIVE IN CONGRESS FROM THE COMMONWEALTH OF MASSACHUSETTS (NOV. 6, 1963)

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 foreign 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. MACDONALD. The first witness that we will hear on H.R. 7043 is Mr. Jerome Jacobson, who is Deputy Assistant Secretary of State for Economic Affairs, Department of State, Washington, D.C.

STATEMENT OF HON. JEROME JACOBSON, DEPUTY ASSISTANT SECRETARY FOR ECONOMIC AFFAIRS, DEPARTMENT OF STATE

Mr. JACOBSON. Good morning, Mr. Chairman, and members of the committee. My testimony today adds to the written views of the Department already in the hands of the committee.

Mr. MACDONALD. Yes, we have received a letter from the Department of State.

Mr. JACOBSON. Thank you, Mr. Chairman.

Mr. MACDONALD. That letter was signed by Douglas MacArthur II, Assistant Secretary for Congressional Relations.

Mr. JACOBSON. That is right.

Mr. Chairman, we believe 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 Textile Fiber Products Identification Act contains a general marks of original requirement, but articles, such as labels, to be sold to the ultimate consumer in packages are exempted therefrom provided the package bears the name of the country of origin. That seems reasonable to us. The garment manufacturer or other manufacturer or processor would appear to be the last person in the series of commercial users in a position to exercise an independent personal judgment as to the acceptability of the imported label.

Consequently, he properly should be regarded as the ultimate consumer. If such a consumer considers the place of origin of his labels a matter of importance, he can readily require, through the terms of the sales contract, that his supplier furnish labels of the desired origin.

Marks of origin requirements are usually defended on the ground that they are needed to prevent the deception of consumers. We certainly do not favor deception of consumers. The real purpose of this legislation is, however, as we see it, to place an obstacle in the way of trade and to add costs for the foreign producer without adding value to the product itself.

There are many objections to the enactment of this legislation. One of the principal ones is that it would tend to deceive possibly rather than inform. The purchaser of a domestically produced article having an imported label marked in accordance with this bill would tend to believe the article itself was imported. The proponents hold that the country of origin could be woven into the back of the label or tucked under in such a manner that it would not be discernible to and so would not deceive the purchaser of the labeled product.

Even if the bill provided for this, it would still be objectionable for a number of reasons which I would like to list.

This bill singles out a small class of parts, labels, for exception from our general rules on marks of origin and so institutes an undesirable administrative practice.

This bill would set a precedent for imposing marks of origin requirements on minor parts of foreign origin used in U.S. manufactures. It would thus open the door to a long list of exceptions that would place serious administrative and financial burdens on domestic users of imported parts.

If the labeling of labels should become a general requirement here and abroad for imports of all sorts, as it might pursuant to this precedent, the burden upon American exports could be significant. If marks of origin can be justified on labels that we import to be attached to suits and shirts, they can be justified with equal ease by other countries for labels affixed to the tractors, farm machinery, electric motors, and air conditioners that we export.

Proponents of this bill have argued that the cost of adding such marks of origin is slight. However, many of the woven labels are so small as to make woven marking close to impossible or at least prohibitively expensive.

Mr. Chairman, here I would like to depart from my prepared statement to note perhaps in a bit of untimely fashion that I have had an advance glance at testimony to be delivered by others today. They, being knowledgeable in the trade, apparently are going to develop the point that this particular requirement for labeling of labels will, in fact, represent a substantial added burden of cost and otherwise to the foreign manufacturer of labels and perhaps to the users of labels themselves in the United States.

The actual value of this legislation would not be in the information it would convey to the garment manufacturer or processor. Rather, the domestic producer of labels would be benefited through the nuisances and costs which would be imposed on the foreign producer and domestic user of foreign-made labels. This bill is intended to hinder imports of woven labels and to add costs to foreign producers; it would, indeed, accomplish these ends. This would be an abuse of the purpose of textile product labeling which is to provide essential information for consumers. It would be viewed abroad as a protectionist measure, as a new nontariff barrier to trade.

As you can well understand, Mr. Chairman, it is this matter which is of great concern to us because we are about to embark on trade negotiations, the Kennedy round, looking for a great advantage to the United States through an expansion of trade opportunities abroad and we should not like to enter into such negotiations having just passed a measure which would be viewed abroad as protectionist measure in nature.

Mr. MACDONALD. Could I interrupt you at that point? When did this Kennedy round start?

Mr. JACOBSON. The bill was passed in 1962. The Trade Expansion Act was passed in 1962. Ever since, we have been establishing the ground rules for the worldwide negotiations. We now have our team over in Geneva as do all the other countries and, in fact, we are right now negotiating to develop the ground rules further to establish what concessions other countries are prepared to make to us and what we are prepared to make to them.

Mr. MACDONALD. To negotiate, as we have been reading about Vietnam, takes two persons of equal good faith. Are you suggesting that the other countries do not have tariff protection for their own industries?

Mr. JACOBSON. Oh, no; not at all. We have tariff protection, and I think we should for certain industries, and they have tariff protection and they are quite entitled to have it.

My point only was that the general objective of the tariff negotiation of the Kennedy round is to bring about a general worldwide lowering of tariff barriers.

Mr. MACDONALD. Has this happened?

Mr. JACOBSON. We are right in the midst of the negotiation right now.

Mr. MACDONALD. By "midst" do you mean the middle? It started quite some time ago.

Mr. JACOBSON. No; the actual hard bargaining, I would say, roughly speaking, started 2 or 3 months ago. I can go into that if you like, but let me put it this way. It was roughly 2 or 3 months ago that the contracting parties to the GATT laid on the table in the industrial field the offers that they are prepared to make, or rather the exceptions that they are taking to a general offer with respect to a 50-percent, across-the-board cut in tariffs. Now we are engaged in seeing how far, in fact, they are prepared to go in that respect.

Mr. MACDONALD. Well, my only point is that how much in dollars and cents would this mean to the countries of the world? It is my understanding that this would effect perhaps only one or two countries. You say that all of the countries of the world are sitting there at the Kennedy round.

Mr. JACOBSON. Mr. Chairman, there are two aspects to this. One, of course, is that certain countries would be affected.

Mr. MACDONALD. And which countries would those be?

Mr. JACOBSON. As I understand it, the principal suppliers are Japan, the Netherlands, and Hong Kong.

Mr. MACDONALD. Just to correct you, I think Hong Kong is the first and foremost. The State Department would have the figures, but that is my belief in any event and the last time I looked at the figures of their booming economy, I hardly could shed any tears about Hong Kong where they are paying people starvation wages and dumping goods all over the world, not just wool labels, but all sorts of goods. Hong Kong is a place where the rich are very, very rich and the poor are very, very, very poor and the poor are the workers who are receiving approximately 8 cents an hour for this sort of work.

Mr. JACOBSON. Mr. Chairman, obviously in our national policy we are concerned with the welfare of others abroad, but the basic purpose of the Trade Expansion Act is to improve the welfare of the economy of the United States.

We have determined as a matter of national policy that we do want to go forward in a substantial, worldwide round of tariff negotiations because we believe that, on balance, if we can bring down world trade barriers, our industry will prosper and we are concerned with this only.

Mr. MACDONALD. I did not interrupt you to prolong this aspect, but I have heard the routine of the Kennedy round of negotiations for so long that I am rather tired of it for this bill would be a drop in the bucket compared to the subjects that are being discussed, at least I hope are being discussed, at this negotiation.

Mr. JACOBSON. I quite agree that this is one of the smallest products traded internationally but, as an index of what the U.S. intentions are, whether to go forward and press hard for liberalization or not, this bill may, itself, be significant.

Mr. KEITH. Mr. Chairman, may I ask a question?

Mr. MACDONALD. Of course.

Mr. KEITH. As an index of your responsiveness to the situation as outlined in the bill before the Congress last year to which you objected, what action has been taken by our representatives at GATT, the conferences in Geneva on this specific item?

Mr. JACOBSON. I do not understand. You mean on this question of language?

Mr. KEITH. Yes; on the question of accomplishing the purposes of this bill to which you objected last year I believe your objection was partially based on the ground that it was subject to negotiation.

What are you doing to defend the point of view of this committee and the Congress with reference to this item? How are you proceeding? Will you give us a status report?

Mr. JACOBSON. I am sorry, Mr. Keith. I read the record of last year and I do not recall that we said that we were trying to achieve the purposes of this bill through our negotiations in Geneva.

Mr. KEITH. I believe that what you have said here indicates that you are defending the manufacturers of this country in your negotiations. You are representing us in Geneva in the Kennedy round?

Mr. JACOBSON. That is right.

Mr. KEITH. And I am asking you on behalf of this committee and the proponents of the legislation, to give us a report as to what you have found thus far in these negotiations with reference to this product.

Mr. JACOBSON. Well, first of all, Mr. Chairman—Mr. Keith—we are only right now in the midst, right in the middle of negotiations. It will take a considerable period of time before we know where we will come out on the full negotiations.

Mr. KEITH. But you have come here to speak on this bill. Before you did that, did you make inquiry of our negotiators as to what the status was of this particular product? As you know, the act calls for congressional liaison with Mr. Herter or his representative, Ambassador Blumenthal; I believe they are having lunch tomorrow on just this kind of thing to find out where these matters now stand. Congress has delegated this authority to the State Department. We would like to know, or at least I would like to know, did you make inquiry of the U.S. representative there as to the progress they were making with reference to this particular problem?

Mr. JACOBSON. I think I can answer that question only by saying that our interests to date have not been with respect to each and every product that is traded internationally.

We have tried to establish ground rules for negotiations to cover the vast gamut of products of interest to the United States and we are now trying to see what exceptions are going to be taken by those rules so that we will know what concessions other countries are not prepared to give us and therefore, what, in turn, we should be hesitant about granting to others.

We have not gotten down, as I call it, to the jots and tittles of each and every product, thousands of which we trade internationally. I would say some months hence when the negotiations are far more advanced and we, therefore, in effect have every nation's offer on the table with respect to each and every product—then I would say Gov-

ernor Herter who has the negotiating responsibility and Ambassador Blumenthal too, as his deputy, would be in a far better position to come to you and describe to you, perhaps off the record as they might have to do in the light of negotiations, just where we stand on products that might be of particular interest to you. But my general answer is that it is premature at this stage to state specifically where each and every product in the negotiation stands. I am not trying to be evasive, but I am stating candidly just where I think the matter rests at the moment.

Mr. MACDONALD. How many countries are represented in this GATT negotiation?

Mr. JACOBSON. Roughly 60 countries.

Mr. MACDONALD. Sixty?

Mr. JACOBSON. That is right.

Mr. MACDONALD. And according to your information, 3 countries out of this 60 would be affected by this bill; is that correct?

Mr. JACOBSON. Well, three at the moment as I understand are our principal suppliers. I have the figures here for 1964, Mr. Chairman, if you would like me to introduce them into the record.

The imports by country, for 1964 totaled $1,436,000 of which $1,365,000 came from Japan; $34,000 from the Netherlands, and $21,000 from Hong Kong. These are the imports for 1964.

Mr. MACDONALD. If those figures are correct, and I am sure they are, I retract my earlier statement about Hong Kong as the leading exporter.

Mr. JACOBSON. I could have just as easily been confused.

Mr. KEITH. Mr. Chairman, this is, of course, the title of our committee—Interstate and Foreign Commerce. Our responsibilities in that area are not as great as they might appear from the title, but I would like to feel that even such a small item as this would have someone within the organization that is conducting these negotiations who would have specific responsibility for making certain that they had the facts and that they knew what the chances were of making a little progress in this particular area.

I am primarily concerned with shoes and we have delegated tremendous responsibility in this area. In last Friday's paper, the Brockton Enterprise in my district announced that a second shoe company was closing in the town of Middleboro which is only a one-industry town. There is only one shoe factory left out of the dozen that were there. The article said that 2 years ago, Mr. Alberts, the president of the firm which has closed its doors, and I am now quoting:

> Wrote to Senator * * * and got a response indicating that it would receive his attention and since that time no further action has been taken insofar as the firm knows.

The Senator obviously referred it to your organization. I would like to have you comment on this more broad aspect.

Mr. JACOBSON. I would be glad to do so. You understand that the actual negotiating responsibility rests in Governor Herter's office.

Mr. KEITH. I understand that.

Mr. JACOBSON. Now, I can tell you of two things.

Mr. KEITH. Governor Herter has been in the hospital for the last 2 months. So it rests with your organization, Ambassador Blumenthal and his stateside associates.

Mr. JACOBSON. Yes, the Ambassador is resident in Geneva and, if you know Ambassador Blumenthal, he is duly protective of our interest. He is quite a competent and efficient gentleman. There are two things I can say in this respect, on the question generally of information and liaison with industry. Before we, so to speak, tabled offers, considered tabling offers, through what is our Trade Information Committee we held an extensive series of hearings in Washington lasting 3 to 6 months, as I recall. Every single product imported by the United States and exported by the United States came under intense scrutiny with the views of the industry itself being received. So our negotiators would be fully apprised of the status of each and every industry.

In addition, the negotiators at Geneva have a series of industry advisers to help them with information with respect to the status of each and every product. Now, I can only say that I am fully aware that Governor Herter's office intends to maintain liaison with industry. Beyond that, I cannot comment further to you.

Mr. MACDONALD. If, Mr. Jacobson, you say this is true, this is an unimportant measure in the overall; or, as they like to say in the State Department, in the broad picture is is a fairly insignificant item. So therefore, I would take it that your objection is not to the bill, per se, but merely that somehow if even an insignificant item gets protected and this is not protection, really, this is merely a carrying out of what the State Department insists in some areas such as imports from Red China, a country of origin, the State Department is very vehement about having the country of origin stamped on everything that comes out of China or anything around or near China, if you would object to such a minute segment of our economy seeking relief that they have not been able to obtain from the Federal Trade Commission, then I take it that the official position is that you are going to oppose all types of economic protection in the broad picture. Am I correct?

Mr. JACOBSON. No, Mr. Chairman. I hope I did not convey that. I would like to rephrase my position on this. First, in and of itself we think the bill is unnecessary. We think the purposes of the Textile Products Identification Act——

Mr. MACDONALD. Let us stick to the GATT argument, please.

Mr. JACOBSON. We specifically provide within the Trade Expansion Act that industries which suffer undue competition from imports and which may be injured thereby have a specific avenue for relief afforded them within the Trade Expansion Act.

Mr. MACDONALD. First of all, you did not put that in. The Congress put it in.

Mr. JACOBSON. Yes, sir; I am saying we have it within the Trade Expansion Act. I certainly would not claim credit for that, myself.

Mr. MACDONALD. Do you know how successful industries have ever been in getting relief under that language?

Mr. JACOBSON. As I recall, there have been 13 or 14 applications for relief and in no case has the Tariff Commission established that the criteria laid down by the Congress have been fulfilled.

Mr. MACDONALD. Would you not say that is fairly empty language that the State Department is ignoring because they are opposing any type of protection to our very hard hit industries?

Mr. JACOBSON. Mr. Chairman, the request for relief has to be made, of course, to the Tariff Commission. It is for the Tariff Commission to make the finding of fact as to whether or not imports generated by tariff concessions do, in fact, represent the major cause of the injury suffered by an industry. It is not for the State Department to decide that.

Mr. MACDONALD. Is it not also true that the State Department will get hold of the Tariff Commission and says if you do give relief such as in the fishing industry in New England which has been murdered by imports, for a concrete example, they are being murdered by imports from Newfoundland and Canada and are practically out of business to my own personal knowledge, and the State Department gets hold of the Tariff Commission and says if you grant any relief here, why our relationships with Iceland are going to be really difficult and our job of keeping those bases up there and our job of getting along with the Ambassador is going to be difficult, as he is going to be mad at us, and so we, the State Department, cannot possibly go along with giving this industry any relief.

Mr. JACOBSON. Mr. Chairman, I am in the State Department and have been for 2 years. I can say that of my own knowledge I know of no single case in which the State Department has ever approached the Tariff Commission itself trying to influence a decision.

Mr. MACDONALD. Either you do not work on that level or you are very naive, I really don't know which.

Mr. JACOBSON. You may be right in both respects. I cannot say any more than that.

Mr. MACDONALD. I did not mean to interrupt you and time is running on.

Mr. JACOBSON. Imports of woven labels are small in comparison with domestic consumption. Because of the small values involved one might judge them to be of little interest to exporting countries. However, the imposition of new, restrictive measures of this sort will be damaging to our position in the trade negotiations now in progress in Geneva.

New trade restrictions imposed in this country are likely to stimulate imposition of restrictions in foreign countries against our exports. If that happens, we will suffer the greater harm because of the greater volume of our exports. We have the largest stake in keeping the channels of trade open and uncluttered with restrictive devices of this nature.

The Department of State is opposed to the enactment of this bill because it would create an unnecessary restriction to international trade, would create burdens for domestic label users, and be a dangerous precedent from the point of view of the interests of U.S. manufacturers who use minor parts of foreign origin.

That completes my statement.

Mr. MACDONALD. Because we did have some interruptions, I do not intend to go through your statement line by line but some of it I certainly cannot agree with or, obviously, I would not have introduced the bill.

One thing I wanted to find out is if the State Department knew about the rules under which these imports come in. You say that a package bears the country of origin. Do you know how that operates

in practicality? They come in off a ship obviously and the carton itself is marked, "Made in the Netherlands," or made some place else, Hong Kong, or Japan. Then the person who has gotten them in here—not the ultimate consumer, but the middleman—just unpacks them from that carton and there is not a sign anywhere on the box in which they are contained, on the labels or any place else. There is no sign where these came from. For all intents and purposes to the ultimate consumer, who is the manufacturer of say a suit or clothing, he has no idea where it came from. He has no idea where those labels were manufactured, because it has been interpreted that the word "package" goes to the crates in which they enter the country. It is true that the crates are marked but, as soon as the crates are broken open, they are sold in the garment districts and the person who buys it has no way of knowing where the material came from. He buys it from an intermediary.

Did you know that, or does the State Department know it?

Mr. JACOBSON. I read this in the record last year and it is interesting to me to note that one of the witnesses scheduled here today apparently has established to his satisfaction that this practice of which you speak in many cases is a minor rather than a major practice. But speaking of this now at the governmental level, this accusation has been made.

Mr. MACDONALD. It is not an accusation. It is a statement of fact.

Mr. JACOBSON. I am saying it has been said this practice occurs and if that did occur, in fact, the purposes of the Labeling Act would be frustrated. Yet the Department of the Treasury, working through the Bureau of Customs, has written to this committee and has stated that, if this practice occurs, it would like to know about it and that no credible evidence has been put forward upon the basis of which it could act.

To put it bluntly, I am simply confused. On the one hand you say it is a fact and, on the other hand, the Department of the Treasury, having the responsibility for the administration of the customs regulations has no such evidence.

Mr. MACDONALD. Do you know how many employees or people are in the Treasury Department who do this sort of work, to follow up claims? They are probably the most understaffed Government organization that we have. I happen to know, also not for the purposes of this hearing, but I happen to know that over the last 30 years they have increased their staff by only 39 people. I think the number of employees now is 4,063 and subtract 39 from that and that is how many employees they had 30 years ago while the amount of jobs that they are called upon to do has gone up 420 percent.

Mr. JACOBSON. They are virtuous in that a major Government agency has kept down the size of their staff.

Mr. MACDONALD. Any questions?

Mr. KEITH. No questions.

Mr. MACDONALD. Mr. Huot?

Mr. HUOT. Do we have the figures on how many labels are exported?

Mr. JACOBSON. I have a note prepared here for me, a footnote, which says exports of woven labels are very small. The export statistics

published by the Bureau of the Census do not provide a breakdown that permits the identification of exports of woven labels.

Mr. MACDONALD. Mr. Curtin?

Mr. CURTIN. Thank you, Mr. Chairman. Mr. Jacobson, the purpose of this legislation, as I see it, is primarily for information. Do you agree with that?

Mr. JACOBSON. As I understand the motivation of those sponsoring the bill, it is for information.

Mr. MACDONALD. That is right.

Mr. JACOBSON. I was addressing myself to the impact and the consequences of that.

Mr. CURTIN. So that it in no way prohibits the American customer from use of these labels.

Mr. JACOBSON. Oh, no; it just places a burden on those who engage in the traffic in these labels; that is all.

Mr. CURTIN. You say the primary purpose of the State Department is to bring about reduction in world tariffs. How far is the State Department going to go in that? Is it going to take the position that it will object whenever a piece of legislation is proposed to provide information to the American user as to a source of origin?

Mr. JACOBSON. Pardon me, Mr. Curtin. We do not doctrinarily take the position that our interest in trade overrides any other interest that we have as a government. That has not been the thrust of my statement. I have tried to avoid that. I tried to make two points: one, that in this particular case we do not see that the purposes established here are, in fact, at all being frustrated under existing regulations or law and that, being so, we are not desirous of seeing a certain burden added to international commerce. These are the two points I have tried to make.

Mr. CURTIN. Last year, I introduced a bill that required that steel brought in from foreign countries which was processed, in this country, into steel containers, must have marked on the processed container the country of origin. This was also purely an information type of legislation. The State Department objected to that legislation last year as an obstacle to tariff reductions.

A similar bill, introduced by Congressman Roberts, passed the House and went no further. Tomorrow we are going to begin hearings on the same type of legislation. I assume you will be here tomorrow and I also presume you are going to object to the bill.

Mr. JACOBSON. That is right, Mr. Curtin.

Mr. CURTIN. So that again you are going to object to this purely informational type of legislation—similar to the bill today—which does not prevent anyone from using the product they desire, but merely lets them know from where it is coming. You object to it and one of the grounds for your objection is that you say it will be an obstacle to trade. Is that correct?

Mr. JACOBSON. Well, I do not seem to be able to make my case with the full effect that I was hoping for. I was saying in this case, we believe that the information which is necessary and which the law intends shall be conveyed is, in fact, being conveyed. Now, there may be a difference of opinion on that because the Department of the Treasury believes this information is, in fact, being conveyed and it is your belief, based on your knowledge from the industry, that it is not, and I am not in a position to judge that one, obviously.

That is a dispute between the Treasury and the trade and not between myself and you; but I am saying, if it is a fact that the necessary information is being conveyed to the industry so that there is no deception, then we would not look favorably upon an unnecessary burden upon international commerce. I think that is where I come out. I prefer that formulation of my position.

Mr. CURTIN. We will go into the steel container question a little more fully tomorrow. However, you say that you people have been negotiating—or at least setting the ground rules for negotiation—for the last 3 years on tariffs. Have there been any tariffs reduced on American products during the last 5 years?

Mr. JACOBSON. Oh, yes.

Mr. CURTIN. What?

Mr. JACOBSON. I would like to provide this for the record so I can be sure to have it correctly, but the Eurpean Economic Community, the EEC, granted to the United States some time ago—and, in fact, most of the GATT countries provided to the United States approximately 5 years ago a substantial reduction across the board in exchange for reductions that we granted.

(The following statement was subsequently submitted by the Department of State:)

The negotiations at Geneva with the European Economic Community and 24 other countries were concluded March 7, 1962. The new tariff reductions obtained from the EEC included items of major importance to U.S. export trade to the Common Market area. Most of these concessions were reductions of 20 percent. There were, however, a number of reductions of more than 20 percent, the most important being reductions of 24 and 26 percent, respectively, in the common tariff on automobiles and parts. Other categories of particular importance to the United States on which reductions were obtained were chemicals and pharmaceuticals, industrial and electrical machinery, textiles, canned and preserved fruits, and fats and oils. Certain of the reductions became effective at various times throughout 1962, and all were in effect by January 1, 1963.

Mr. CURTIN. That is right.

Mr. JACOBSON. In other words, the effect of the Dillon round of tariff reductions has been felt in the most recent few years.

Mr. CURTIN. But the reductions that were granted to us were not comparable to those that we granted to the countries abroad, were they? In other words, we will come out with about the same general percentages as between export and import rates as before this round of reductions?

Mr. JACOBSON. I am not sure that I quite follow that, Mr. Curtin. Let me put it this way. Our negotiators came back from the Dillon round and said they had a good bargain for us.

Mr. CURTIN. I am a little pessimistic about it. I am reminded of the old expression that when the American eagle gets into these negotiations it always loses some tail feathers.

Mr. JACOBSON. That is, of course, frequently said and I guess all we can say in our defense is that as we look at the yearly trade figures and our yearly balance in world trade, we find that we seem to be doing as well, if not better, than the others. Our net trade balance favors us increasingly, year by year. Obviously, the framework of world trade and regulation is apparently advantageous to us.

Mr. CURTIN. Well, my colleagues on this committee have indicated that their districts have suffered. I certainly do not want to be classified as a high-tariff protectionist, but nevertheless, in my district

there are firms going out of business as a result of foreign competition as, for example, the manufacturers in the tile industry. I have several tile companies in my district that are about ready to fold up, and they do not seem to feel that, in these negotiations, the American tile producer has been adequately protected. Whether their assumptions are correct or not is something that you people would argue, but nevertheless, they do know they are being put out of business and there are people becoming unemployed, about which I am very much concerned.

Mr. JACOBSON. There are two questions here. It seems to me one is whether, taking any given industry, its difficulties arise purely and solely from imports which may have been generated by tariff concessions or whether its difficulties arise from a variety of other factors of which imports are only one—I am not addressing myself specifically to tile or any other industry. Secondly, for the record, I would like to introduce just a few figures if I may, to demonstrate the point I had made which is that in the last 4 years, our commercial exports, leaving aside that which is financed by Public Law 480 and foreign aid programs, our commercial exports rose from $17.5 to $22.3 billion, an increase of 27 percent and our trade balance last year was $3.7 billion against something like $2.5 billion in the prior year. So, obviously we are doing very well internationally. Our industries are benefiting, very clearly.

Mr. MACDONALD. Would the gentleman yield?

Mr. CURTIN. I am happy to yield.

Mr. MACDONALD. For your basic information, I think the main difficulty that all the industries, including steel, including wool textile labels, et cetera, rubber, footwear, shoes, et cetera, the big differential is the wage scale. I do not think that comes as any bombshell to the State Department. The difference between our standard of living and the power that our unions have in demanding and getting and rightfully so, since our economy keeps going up, increased wages as opposed to the type of coolie labor that prevails in Hong Kong to my own knowledge, and I think to a lesser extent, but also to a somewhat similar degree in Japan, is the big differential. These people are not any more efficient than our factories, if, indeed, as efficient, but when you are paying 8 cents an hour and our industry is paying say $2.08, obviously there is a tremendously wide wage-scale spread. This never seems to dawn on anyone down at the State Department. I do not understand why not.

Mr. JACOBSON. Mr. Chairman, obviously wages are only one factor in the cost of production.

Mr. MACDONALD. A major factor.

Mr. JACOBSON. It is not a question of how much a man is paid, but what he produces for what he is paid and the simple fact is that across the broad spectrum of American industry we, with our high wages, are nonetheless more productive, turn out more per dollar of wages spent than do industries abroad.

Take the case in point of Japan. In 1963 we exported to Japan $1.7 billion worth of goods and we imported $1.5 billion worth of goods.

Mr. MACDONALD. Excuse me. Does that figure include our so-called defense expenditures?

Mr. JACOBSON. No. These are just commercial exports. In other words, our high-paid farmers and our high-paid industrial workers are so efficient, as our own farm surplus tells us.

Mr. MACDONALD. And so well subsidized.

Mr. JACOBSON. However, it is the United States that finds itself the world's most competitive trading nation. This is why we have this huge trade surplus. This is why we have a surplus on commercial accounts alone, leaving aside aid and Public Law 480, close to $4 billion last year. We exported to the world nearly $4 billion more than we imported, even with our high-paid industry.

Mr. MACDONALD. Excuse me. Mr. Curtin, anything further?

Mr. CURTIN. That is all, Mr. Chairman. I will, I hope, have an opportunity to ask further questions of this gentleman tomorrow.

Mr. MACDONALD. It is now 10 minutes before 12. It is my intention, if the committee will go along with it, to ask unanimous consent that we be permitted to sit during general debate and we would be be returning here around 2 o'clock. Since there is only 10 minutes left I have a few questions left.

Why does the State Department feel that it's protectionist for someone to put on a label that says made in another country rather than the United States? There is no tariff involved. There are no quotas involved. It would be merely stating this label is made in Hong Kong or Japan or the Netherlands.

Mr. JACOBSON. I think I can answer in three different ways.

Mr. MACDONALD. I am sure you have known of this, but I am not quite sure what your position is, although I do believe it is a negative one.

Mr. JACOBSON. Well, firstly, there is no doubt that requiring the foreign manufacturer to identify the source, to weave in the source of the country of origin in itself represents an added cost. An added cost is the same thing as a higher tariff. That is point No. 1.

My point No. 2 is by putting down, by indicating the source of origin in the case of certain countries, we would be pandering to, let us face it, a prejudice against foreign goods. We do not believe it is good to have a prejudice against foreign goods because, after all, our goods are foreign, too, when they arrive in some other country.

Mr. MACDONALD. Which brings me to another point. I do not want to interrupt you, but you said it would perhaps result in U.S. companies forced to label their products, "Made in the U.S.A." In the places that I have been to throughout the world, that would bring a higher price to the retailer, say in southeast Asia, or parts of Europe, for they have great confidence in our products and the fact that the Americans are efficient and that this thing is really going to work.

Mr. JACOBSON. Where our manufacturers believe that to be the case, I can assure you they will voluntarily slap the label on it.

Mr. MACDONALD. Tractors, electric motors—I think you will find where it carries a label—"Made in the U.S.A."—they do it because it adds to the prestige of the product.

Mr. JACOBSON. I am not sure that our manufacturers would be entirely delighted in having to have on their label which might be stamped "Moline, U.S.A.," the additional words, "Label Made in the U.S.A." and that, in effect, would be the counterpart.

Mr. MACDONALD. You must misunderstand the entire bill. This is not the case here, either. It does not say this label must say "Made in Japan." Underneath, and which cannot be seen by the consumer, will be on the underpart that is sewn on, and it cannot be seen by someone. It will merely state the country of origin.

Mr. JACOBSON. The bill as I read it, Mr. Chairman, merely says that the label itself must carry the country or origin so if the label is made in Japan the label must read "Made in Japan."

All right; it is true that you might overcome the distinct advantage—the distinct possibility of misassociation between the country of origin of the label and the country of origin of the product. For example, a sweater made in the United States carrying a label "Made in Japan" which might be thought of as being a sweater from Japan.

Mr. MACDONALD. Sir, that is why I insist you do not understand the bill. It will not do that. It is not a matter of dispute. It is a matter of fact. The label will never show once it is sewn into the garment; it will never show the country of origin. I merely say it shows it to the consumer, the ultimate consumer which is the manufacturer who attaches these labels, that he is purchasing material that comes from outside the United States. The consumer cannot be confused and as a matter of fact I just do not understand what your objections are.

Mr. JACOBSON. Well, I want to say that the bill, as I have it before me, states simply that the label must have woven into it the country of origin. You may say the country of origin can be hidden when the label is sewed on under the back side, or could be hidden. If the country of origin is labeled along the periphery, then when the garment manufacturer sews it into the garment he can bend the periphery under so he masks the information which you are providing in the bill. But the bill does not say you will fold it under. The question is whether it is practical, how much the cost will be, et cetera, of doing these things to mask the information which this bill is intended to convey, and as for that, I am not a member of the trade and I hope other witnesses can discuss it better than I.

Mr. MACDONALD. If you will return at 2 o'clock I think you will hear them testify as to just how they intend to do it and why they intend to do it, and why such a bill as this needs to be passed or else there is not going to be a label industry left in the United States. I am sure they can quote you figures on the number of factories that have closed down, have half shifts, et cetera.

If you are really interested, I am sure you will hear much more expert testimony than my remarks. I hope you do come back.

Mr. JACOBSON. Mr. Chairman, I hope you will not believe I am uninterested. I have other engagements this afternoon, but my assistants will report this back to me and I will read the record.

Mr. KEITH. What did you do before you went with the State Department?

Mr. JACOBSON. I was in business as a consultant to business, Mr. Keith.

Mr. KEITH. Was it an international business?

Mr. JACOBSON. Both domestic and international clients.

Mr. KEITH. What proportion of your business had its origin overseas?

Mr. JACOBSON. It was several years ago, and I will have to think back. Taking the long and short of it, I would say probably 50–50, give or take a bit.

Mr. KEITH. You had both foreign and domestic clients?

Mr. JACOBSON. That is right.

Mr. MACDONALD. Thank you. The hearing will now recess until 2 o'clock.

(Thereupon, at 12 noon, a recess was taken until 2 p.m. of the same day.)

AFTERNOON SESSION

Mr. MACDONALD. The hearing will come to order.

We will resume the hearing of testimony given on H.R. 7043 and the first witness this afternoon will be Mr. Louis Chandler.

STATEMENT OF LOUIS CHANDLER, ATTORNEY, ON BEHALF OF WOVEN LABEL MANUFACTURERS OF THE UNITED STATES OF AMERICA

Mr. CHANDLER. My name is Louis Chandler. I am from Boston, Mass., and I appear on behalf of the Woven Label Manufacturers of the United States which represents most of the 40 to 50 companies who are engaged in the manufacture of woven labels in this country.

We greatly appreciate the opportunity that has been given to us to appear before this august committee, and we are particularly happy to be here at this first meeting of the committee in this new building.

And I might add we are also particularly pleased that the members of the committee apparently have an understanding of the kind of problems with which the American public is confronted, particularly those who are to be included in that group known for purposes of this bill as the ultimate consumers; that is, the manufacturing group who would buy labels.

In the hearing on 806 just prior to the hearing on this bill, there was an exhibit that someone just indicated might involve stretching the law in some respect. I do want to say that, as far as we are concerned, what we are seeking and what we believe this legislation seeks to implement is to make effective legislation that presently is part of the law of this land, the textile identification bill.

Now, the congressional intent, we feel, and I don't think there is any question about this, as indicated in that bill is that there be marking, that there be fair competition. The purpose and intent of the act is specific. I don't thing anybody in this room quarrels with that intent. Despite the kind of discussions we have heard, despite the kinds of arguments that we heard, there isn't any doubt that there is marking legislation presently in effect. There is no doubt that there are differences of opinion as to the efficacy of this kind of legislation but the place to seek repeal of that legislation, it would appear, would be in the Halls of Congress, the lawmakers for this country.

To attempt to repeal acts of Congress in any other way, whether it be with all due respect at the administrative or executive level or for those who serve particularly special or specialized interests, would be begging the basic question.

Is there a marking law? Is it the intent of Congress that there be a marking law and that it be effective?

Without getting into the discussion of our reasons for supporting the bill, I should like to address myself to the arguments and discussions that have ensued with reference to the prior testimony and through the exchange of the written statements which have been submitted to the committee. After a perusal of some of those statements I would like to address myself to those as well. I have perusd them and I am prepared to discuss them. I think in the interests of time I should like very much to have the permission of the Chair and committee——

Mr. MACDONALD. Off the record.

(Off the record.)

Mr. MACDONALD. Back on the recort.

Mr. CHANDLER. I should like therefore as a proponent of the legislation to have the permission of the Chair and the committee to have my statement which has been submitted for the manufacturers association made a part of the record.

Mr. MACDONALD. Without objection, your statement which has been submitted to the committee will be included in the record as part of the permanent record.

Mr. CHANDLER. Now, if this can be done, and I appreciate very much your having accepted it as such, I will not read from that statement, nor will I read excerpts from it. I think the time element is such that those who can peruse this on the record can understand our position when the committee gets into executive session as I understand it does on matters of this kind.

I think it is important, however, unlike the representative of the State Department who indicated that he is not concerned with the—the term he used was "jots and tittles"—which may affect a small industry, we are concerned, and perhaps it is because of this past relationship involving a broader range or gamut of industry that this lack of concern for the so-called jots and tittles was manifested.

However, I think that even that is begging the question because the State Department, this country, in fact, subscribes to the General Agreement on Tariffs and Trade which sets forth certain principles governing the marks of origin, and the other member nations of GATT have also subscribed to this.

And article IX, paragraph 2, reads, and this comes from a statement made by Mr. Daniels, who was legislative counsel for the United States-Japan Trade Council at the hearings last year.

Mr. CURTIN. Excuse me. That is.

Mr. CHANDLER. Article IX, paragraph 2.

Mr. CURTIN. Of what?

Mr. CHANDLER. Of the General Agreement on Tariffs and Trade. And it is on page 41 of the transcript of the hearing which was held last year involving steel container labeling and woven label identification. And that reads:

> 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—

And I want to emphasize the next phrase—

> due regard being had to the necessity of protecting consumers against fraudulent or misleading indications.

So that there is no doubt that the State Department, United States-Japan Trade Council, all of us subscribe to this basic principle, that due regard must be had for the—for protecting the consumers against fraudulent or misleading indications.

Now, this doesn't mean that any negative impact should result from a failure to mark properly. We know that there are many areas of marking and that as the distinguished chairman has indicated, whether it is a woman who is buying a dress or whether it is any of us looking for other products that are exchanged in commerce, and they can be binoculars from Germany, they can be cameras from Japan, they can be radio and television sets from Japan, there is no unique qualification today in this world for production of quality items.

Today with the space difficulties that we had maybe 50 years ago overcome, with transportation facilities so rapid, with the interchange of information on a technical basis so frequent and rapid, our competitive operation throughout the world are based on very few factors as compared to what they were many years ago. The efficiency of a country, and I am mentioning Japan because we have some representatives here who are to be heard, is based upon the quality of its labor. It is based upon the techniques and its technological improvements; its ability to buy machinery and equipment on the open market, and all of this is today available throughout the world. So that the only reason for marking legislation is not to impose undue burdens on trade. It is merely informational and the bill's opponents are nit-picking, if I may use that term, in some of the statements that are made—one statement that the crease made when a label is folded may cause the label to wear out—when in fact there are creases in labels today. That is the way it is sewed on to your garment.

Here is a label in my suit. If each one of us will turn to the labels that we have now on our clothing in many ways, whether it is from underwear through to shirt and clothing, suits, we will find that these labels are sewn in by a turn under, but this is the kind of argument that appears in one of the documents that will be presented to you, that the crease will mean that the label will wear out and it might come off in the cleaning, and so forth.

An interesting comment is made that there would be an increased cost in the production of a label which would require the addition of words indicating the country of origin, and a representative of the industry will present information on that issue to this committee. The increase in cost is so negligible that it shouldn't be mentioned and the fact that these increased costs as indicated in one of the statements would be or might be reflected in increased cost to the American purchaser at the manufacturer of the garment level leaves me somewhat nonplussed because within the past several months as a result of an interpretation with reference to labels that was made in litigation that involved Bureau of Customs, there was a reduction from 30 percent on ad valorem tariff to 19 percent, so that there was over a third reduction in duty, and we found no similar reduction in the cost of labels to the purchaser in this country. So as one of our fictional or quasi-fictional foreign friends in "The King and I" said, "It is somewhat of a puzzlement."

Actually if we wanted to think in terms of added cost, very briefly, we know that labels—and there was a comment in one of the briefs or statements that will be presented, that they run around $3 a thousand—if we used the same kind of reasoning that prevails from a practical point of view in this country, you say that roughly labor and materials and overhead run one-third for each of these factors going into the ultimate product. The labor is one-third, which means that if it is $1 per thousand labels, and if this is the case, and if there are, as we know in the industry, on the average better than 500 cards—it takes a number of cards and you will see some exhibits shortly to make a label on the loom, to add the kind of identification that would be necessary would take no more than an additional 5 cards, possibly 1 percent more. Well, if we take it in terms of 1 percent of $1 for labor, we find that a thousand labels will cost an additional 1 cent for the extra few cards that are necessary, which means a cost of 1 cent per thousand labels, and is this what the—those who oppose the bill, is this the kind of thing that warrants their threat that this will result in substantial increased costs to the American purchaser?

Mr. MACDONALD. Excuse me, Mr. Chandler. Do I take it that what you have just said is that if a manufacturer of labels in a foreign country had to identify the country of origin, that the cost to put on the country of origin would be 1 cent per thousand labels?

Mr. CHANDLER. This is if we use the factors that I have cited. One-third labor, one-third material, one-third overhead. Actually the cost of labor, I think we all can take this almost for granted, is less than the normal equation that we would use. So that I have taken the maximum which would be one-thousandth of 1 cent per label based upon our cost figures.

Mr. MACDONALD. Thank you.

Mr. CHANDLER. The representative from the State Department talked about productivity and he used the term our workers are so "darned efficient."

Now, I don't think that inherent in his comment was the thought that it is unfortunate that we are so darned efficient and therefore there should be restrictions against this kind of efficiency, and the only restrictions that can be imposed are to permit of competition that the Congress of the United States has said would be unfair, that is, without marking.

I don't know how the two tie together but it appeared on the questioning by the members of the committee that the witness was attempting to reach for arguments that were not valid. I am not going to try to categorize them but I looked at the digest of the State Department with reference to imports and he discussed the number of imports, that it increased from 189,000 pounds in 1958 valued at $593,000 which was 8 percent of the country's consumption, to 447,000 pounds at $1.3 million in 1962, or 17 percent of this country's consumption.

I don't know that this was put in the record. I think that he permitted me to examine his digest but he didn't put all of this in the record.

One of the comments made on that digest incidentally, and I am sure that he will make it available through those of his representatives who are still in the room, carried a note which said this is partially estimated. Even on the basis of this estimate, and we do have a state-

ment in one of the briefs that have been submitted that you will read from one of those opposing the bill, that in 1964 the dollar figure had gone up to $1,436,000 or almost a million and a half dollars.

Or about triple in 8 years. And this is only where records are kept, bear in mind. I am a little concerned actually about this whole discussion by those who oppose the bill as to statistical data because if we look at last year's hearing on this bill, and we look at the State Department's statement which was submitted in writing, we find on page 5 the statement:

In 1961—

And I am quoting—

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 woven labels.

Now, it is difficult for me to understand why the State Department last year talked about the imports from the Netherlands of some $50,000 worth of labels without reference to the hundreds of pounds that came in the form of rayon woven labels, with the over $1 million worth of labels that came in if we want to use dollar volume based upon the Department of Commerce statistical data that is published monthly, and it would seem to me that even though its own sphere of activity may be narrowed in the minds of the State Department representatives, to that point where their purpose is to block the effect of congressional requirements, that they should omit the opportunity for examining all of the statistical data that are available to them as well as to the members of the public at large.

We must also bear in mind that these data are in reference only to such imports where records are kept. When we have in mind that labels sell as set forth in one of the opponents' statements at $3, $4, and $5 a thousand, and when we bear in mind that imports of cases that have a value of less than $250 per case are not part of the statistical data that is kept by Commerce, then we can only conjecture as to how wide this range of imports really is.

If we were to examine some of the statements that have been made by knowledgeable employees of the Government and others, we find that at a hearing on problems of the domestic textile industry which were held on February 6 and 7, 1961, before a subcommittee of the Committee on Interstate and Foreign Commerce of the Senate, on page 575, there was the statement as follows:

According to import statistics published in the Journal of Commerce Import Bulletin, imports of rayon labels from one country increased in the first 10 months of 1958 about 100 percent over similar imports during the entire year of 1957—

And the pertinent excerpt from that statement reads as follows:

To this figure should be added 20 percent—

And the figure that is mentioned is the value of imports in 1958 being $857,000 from just one country—

to this figure should be added 20 percent to cover mail shipments of $250 or under, making a total of $1,040,850 of such imports in the first 10 months of 1958 as compared with $493,800 in the year 1957.

And this is a significant statement, too.

Based on the price at which competitive domestic labels are customarily sold in the United States, the foregoing imports displaced domestic sales of a value of approximately $2,250,000.

So that even though we have a statement from Commerce and from State and in some of these statements that opponents have submitted, that point in 1964 to approximately a million and a half dollars worth of imports, we realize that that figure would have to be at least doubled and possibly tripled to yield a figure of, in the area of $5 million at domestic values.

At a meeting that was held with a number of members of the Tariff Commission; that is, the Secretary, the Chief Economist, the Director of Investigation, the Chief of the Textile Division, and several others, in May of 1961, the economist stated that his calculations indicated that the rayon labels amounted to $2 million in foreign value.

He had in mind those that had no need for being reported as well as the actual imports that were part of the Commerce statistics. And he agreed generally that the assumption that this represents about $5 million in American sales value is correct.

We have for the period from January 1960 through February 24, 1961, a list of every company that imported labels from one particular country, and heading the list is one that apparently is going to appear as a witness today, Cavalier Label Co. From January 1960 to February 1961, that company imported 2,448 cases running into many, many hundreds of thousands, actually millions of labels. I don't know what the figures are as of today. It would be interesting to determine that if the witness is here in the room later on. But in that period of time, and we have all of the companies by address and number of cases, of those that were reported, there were some 6,507 cases reported through the Department of Commerce—this is not that group which came in valued at under $250—which would make a total of $3,203,500. This is in a 14-month period and it is easy enough to determine that in the 12-month year of 1960, therefore, the actual value was in the range of $2 million.

Getting into more of these statistical data can clutter the record. Basically we do not want to get involved in scattering a lot of buckshot and getting into peripheral areas which are relatively unimportant. What we are saying here is if there is a marking law then why shouldn't it be observed and why should there be these cries of outrage. The problems that we think are straw issues in a sense, are being raised because no real issue can be made against passing this kind of legislation.

The opponents argue "don't pass it because the crease will wear out" or "don't pass it because it will cost us so much money to put another little mark on it" or "don't pass it" for so many, many other reasons. Why should the ultimate consumer, the manufacturer, be deprived of information with reference to this product if other manufacturers, if other ultimate consumers, under the law of this land are not being deprived of the right to determine where the product that they are buying is coming from?

Now, this last bit of information with reference to the imports in 1960 deals with the kind of allegation that we find in State Department testimony, in some of the statements that are being submitted.

The opponents of this bill argue, "Why not go to Commerce and why not go to Treasury Department?" Or, "Why not go to Bureau of Customs and why not go to the Tariff Commission? These agencies are set up to help you." Well, there is a law on the books and these agencies have done their best to vitiate it for reasons which we can't fathom.

And we have gone to these agencies. This information with reference to the statistical data in 1960 was prepared in order to go to the Bureau of Customs and the industry went to Mr. Howard, the Legal Assistant on Label Marking, at the Bureau of Customs, working with the Deputy Commissioner, and he pointed out the exception which stated that the marking of a container of such articles will reasonably indicate the origin of such article, and this he explained did not authorize customs men to pursue the article to the ultimate purchaser, whether it be the manufacturer or anybody else.

For example, a case arrives marked with the country of origin. The inside cartons hold either the cut labels or the rolls. These are the inside cartons. They would be marked. The customs men must release the shipment to the consignee. What the jobber does, and if the jobber is a consignee as is true in many cases, is of no immediate concern.

Our files are rife with factual data of or approaches to so many Government agencies who say: "Yes, you have a problem but there is not much we can do about it." We find the kind of information from companies that write to us. Fold-Master, Inc., a woven labels service, writing to the president of our association saying:

> Referring to our conversation the other day I would say that unless an imported label had some distinguishing mark on it; such as, made in Italy, and so forth, it would be impossible to distinguish between an imported label and a domestic label.
>
> Therefore, because the label mill or jobber did not inform us that these labels were imported, it is very possible that we could have unknowingly cut and folded and stacked these labels in our standard boxes.
>
> I would like to help all I can to see that proper information was submitted to the buyer but this can only be accomplished by putting distinguishing markings on each label.

And there are several such letters. There is another from E. H. Machine Works, Inc., who engages in label processing in New Jersey, all to the same effect.

In 1961 we thought that the right approach might be to have an amendment to the Tariff Act of 1930 and a bill was filed proposing to amend section 304 of that act and, because of the way the bill was phrased at that time, it was within the jurisdiction apparently of the House Committee on Ways and Means and, for the reason that there was some very important legislation pending before the Congress of the United States at that time, that bill never came up for subcommittee hearing. But I have a letter from Mr. Harold Cooley—Congressman Cooley—who is chairman of the Committee on Agriculture, addressed to the Honorable Wilbur D. Mills who is chairman of the Committee on Ways and Means, which indicated how Mr. Cooley felt about this kind of legislation, and he writes:

> I am taking this occasion to bring to your attention an amendment I am proposing to section 304 of the Tariff Act of 1930, as amended.
>
> The purpose of my amendment is to clarify the tariff law in regard to the marking of imported woven labels, as to country of origin. This amendment would require that each woven label imported from foreign countries be marked with a description showing the country where it was manufactured.

This marking would be accomplished in the basic process of label weaving at practically no cost. Furthermore, it would be placed in a portion of the label which is folded under when the label is sewn into the garment so that it is no longer visible.

I would like to emphasize at this point that this amendment should not be confused with past proposals calling for designation of country of origin on the face of the label. These past proposals, as I am sure you are aware, have drawn concerted opposition from the State Department and from other Government agencies on the grounds that such a requirement would discriminate against and reduce imports from foreign countries. The language of my amendment was prepared by the U.S. Treasury Department at my request and from a technical standpoint I anticipate no objection. I am sure that your committee will agree that from a policy standpoint the State Department's previous opposition to the other proposals is not germane to the amendment. Stated quite simply my amendment will require only what the intent of the law now is, and what would be disclosure of country of origin on each label only up to the time of its use, after which the country of origin would no longer be visible. Under my amendment, labels coming from foreign countries will not be in conflict with the rule laid down in the case of *United States* v. *Gibson-Thompson Company*—

And he cites the case reference—

because the country of origin noted on the label will not be visible on the product to which the label is attached.

Our domestic woven label industry is a small, highly skilled industry, with total sales of approximately $25 million annually, and plants are located in 15 States with a concentration in North Carolina.

And incidentally, the States that do have substantial numbers of these plants rank from California through Nebraska, North Carolina, up through the east coast, Pennsylvania, and up into Massachusetts, Maine, and I believe there are five plants in New Hampshire, in the Manchester and Claremont areas.

I would offer for further clarification and consideration by your committee that additional language be included in the amendment or in your committee report to make it crystal clear that the marking on the label as proposed will not be visible when the label is attached to the garment or other end product. In other words, the marking of each label will disclose the country of origin to the buyer of the label and not to the purchaser of the garment or other product to which the label is attached.

And he goes on to say that he is enclosing samples and urging the committee to take prompt and expeditious action on this matter and that he would be most anxious to appear before the committee at the earliest convenience to explain the merits of the amendment.

In the preparation for this case, and having in mind the kinds of objections which were raised last year with reference to the turnunder portion and the question of whether or not the bill as phrased would accomplish what was desirable to implement the intent of Congress and at the same time not create the kind of problems which are being presented by opponents, I took it upon myself to check with the Parliamentarian that serves Congress and found that the bill as phrased does take care of precisely the kind of problems that are being raised here because the bill merely provides that there be marking.

I think that describing this bill as a labeling of label law is unfortunate because it is not required that there be a label on a label. This is a marking law and all that we are seeking in proposing that this bill be adopted and recommended favorably is that the marking law be implemented. The provision for marking the label doesn't indi-

cate that it need be on the face or any other specific part of the label and I am sure that those label manufacturers who wish the public to know that there is a price in the country of origin of this particular product, just as they do in Japan, for example, of so many television sets or just as they do with Leica cameras in Germany, possibly here, too, if they wish, they can place the marking identification right on the front of the label indicating the country of origin of the label itself.

The bill does not require it. The bill merely says that there be identification and that can be on the turnunder. We are taking the position that maybe for reasons of their own they would prefer to have no indication on the front of the label possibly so that it won't confuse some purchaser of the garment.

Well, if that is the case and they don't want to say this label is made by some people who are proud of their craftsmanship, if they don't want to have any confusion of any kind, they do have the opportunity for placing this identification on any part of the label. That is all the bill requires.

Mr. MACDONALD. Mr. Chandler, on that point——

Off the record.

(Discussion off the record.)

Mr. MACDONALD. My question was going to be this. I can see objections to this bill if the label itself put on the front of the labeling "Made in Switzerland," "Made in Scotland," "Made in Japan," because I think, and I am the author of the bill and this is why I want to have it clear, I can see where if you put on a label, the label itself, on the front side "Made in Scotland," for concrete example, the purchaser would think he was getting an argyle sweater made in Scotland.

This was also raised earlier by the gentleman from the State Department.

Is it the intention of the industry that these labels be labeled on the back or the front?

Mr. CHANDLER. That is be labeled on the turnunder actually.

Mr. MACDONALD. On the turnunder.

Mr. CHANDLER. As a matter of fact, if I may refer to the statement, briefly to the statement made by the Menswear Retailers of America, a copy of which is on your desk, their suggestion is that—they agree with the labeling or the marking requirement. They suggest that the committee in its deliberations recognize the possibility of having specific language indicating the country of origin and the disclosure be made on the turnunder or the sewing areas of imported labels. There is no problem here. We think the bill already provides for this. If there is any need for making certain of this and if this eliminates the reams of opposition that is based solely on this question, then we can avoid the need for further hearing and say by all means let's make it crystal clear, as Mr. Cooley also has said, that it be on the turnunder portion or that it be on a portion where it will not be seen by the purchaser of the garment, so that there can be no possible confusion.

Mr. MACDONALD. The committee will stand in adjournment. We will return as soon as we are able to, which will be after the call of the House.

(Short recess.)

Mr. MACDONALD. The committee will be in order.

The witness, Mr. Chandler, will resume.

Mr. CHANDLER. The concern as to the effect on the retail customer who buys a garment with the label already sewn in it was probably best presented by the statement submitted to this committee by the Menswear Retailers of America, and this organization in the statement made on the third page of its submission states that it recommends to this committee that specific language be included in H.R. 7043 allowing the country of origin disclosure to be made on the reverse side of the label, that is the side not showing after it has been sewn into a garment.

It would seem to me that if the retailers represented by a board of directors that range throughout the country and have 3 thousand retailer members, if they state that they have no objection to the proper marking of a label, it ill behooves those who otherwise come in here to use the objection that the ultimate purchaser of a garment could be confused.

I would like, in the interest of time, to refer the committee to the hearing transcript which was printed last year which will give a history of the kind of approaches, the many types of procedures that were undertaken by the woven label manufacturers and those who propose that this bill be enacted which involved Bureau of Customs, Federal Trade Commission, and all of the other sundry agencies of the Government that are tied to the enforcement of the law or its administration.

In an inquiry that I made to a number of companies, one reply is interesting, and this involved a statement from the Warner Woven Label Co. that—

> The infringement of the Warner trademark in the case of the label samples which I recently sent to you was first detected by us some time last summer. At that time the Standard Commodities Corp. of California, an importer of Japanese woven labels, approached a customer of mine with a book full of label samples. Contained in the book was a sample of one of our own labels actually manufactured in our mill which bore our trademark.
>
> Our customer tore the label out of the salesman's book and gave it to us. We turned the entire matter over to the Federal Trade Commission. The case is in file No. 6023399.
>
> Our customer gave Mr. Earl Roberts, the investigator of the Federal Trade Commission, a deposition in which he upheld our assertion. Unfortunately even though Mr. Roberts made an extensive investigation of abuses by importers and received testimony from a number of our competitors, the FTC did not act on our complaint.

He goes on to state that in some cases it has been known that the manufacturers in foreign countries have duplicated weaving mistakes as well as trademarks in copying labels made in this country originally, and he states:

> It is my belief that these infringements go on almost daily because of the foregoing reasons. At present I am engaged in investigating a similar complaint.

A letter from the Federal Trade Commission to the president of the Woven Label Manufacturers of the United States states in part—

> when the rules and regulations under the act were under consideration, the Commission gave the matter careful attention. It was of the opinion that the consumer was not interested in where a label attached to a garment was made. The consumer buys a sweater or blouse because of the sweater or blouse and certainly would not be influenced one way or another by the origin of the label used in the garment.

I want to interrupt my reading of this letter to state that this has been the problem. There has been confusion in the minds of those even in the agencies, in the administration of the regulations as to

what the marking requirement would be. But in fact there would be no confusion.

In fact, as the retail federation witness has stated in his presentation, it could be done without any problem whatsoever and the marking law could be complied with.

And he goes on to state:

> Frankly, we are sympathetic with your position but we do not believe that Textile Fiber Products Identification Act is the vehicle for the relief of your problems. Rather, it should be with tariffs, quotas, or with the Bureau of Customs in respect to the marking of origin on individual labels.

And that is the end of the quote.

These things have been checked with customs and with all of these agencies and one refers us to the other and these efforts by the label manufacturers have been during the past 3 to 5 years even more aggressively pursued than at any other time in the history of this industry. The FTC issued this regulation because of the *Gibson-Thompson* case which states that a toothbrush wooden handle was properly marked if the portion of the handle where the bristles were inserted, and the bristles were inserted in this country, was marked with country of origin by the manufacturer, even though it disappeared when the bristles were placed in the wooden handle, and the court case held that this was perfectly appropriate.

Unfortunately, the Federal Trade Commission misapplied the *Gibson* case. This is treated with at length in our statement and I am not going to develop it any more.

Mr. MACDONALD. I was going to say, Mr. Chandler, there are seven other witnesses scheduled to be heard. We were hopeful that we would be able to conclude the hearing today and therefore I don't see much point in going into material that you have already submitted.

So if you have some new material, I would be happy to——

Mr. CHANDLER. There are two comments I would like to make. One is as to new material and the second is as to an attempt to save some time. I should like very much to have the permission of the committee to file an answer to the statements that have been submitted by opponents rather than meeting them orally at this time, and if I can have a reasonable period of time to do so, I think we can save considerable time.

Mr. MACDONALD. I think that can easily be granted. What do you call a reasonable time?

Mr. CHANDLER. When is it anticipated that the committee will go into executive session?

Mr. MACDONALD. Well, the committee will have to go into executive session about this bill and other similar bills, then issue its report.

Mr. CHANDLER. If I may have a week to 10 days——

Mr. MACDONALD. I think that would be perfectly acceptable.

Mr. CHANDLER. Thank you very much.

Now, with reference to new material, therefore, and I think much of this, too, can be submitted in a written statement.

I do wish to present a comment with reference to a letter received dated April 14, 1965, from the Tsukasa Trading Co. of Tokyo. Without reading the letter itself which in substance states that there are samples of labels which are enclosed with quoted prices, there are two labels enclosed and the dimensions are given and the price f.o.b.

Yokohama on one label is 79 cents for a thousand pieces, made—that means manufactured—cut and center folded in Japan.

Certainly the machinery and equipment it indicates is available and is being used for the manufacturer of this product and they are cutting and folding with the turn under section in Japan.

It would cost the manufacturer in this country to cut and fold a label, just to cut and fold, a dollar and a quarter a thousand. There is a second piece which is quoted a dollar and 20 cents per thousand pieces for manufacturing, cutting, and folding.

Just the cutting and folding in this country is a dollar and a quarter.

So that the costs certainly that are alluded to in these opponents' statements which are on file seem to have been magnified at great length. And I would prefer that the statement by a member of the industry who is going to be our next witness present that kind of information.

Thank you very much.

I appreciate the opportunity that has been given me to appear before this committee.

Mr. CURTIN. Could I ask one question?

Mr. Chandler, you just brought up the question as to additional cost to use these labels. Are you in any position to say what the additional cost per thousand to the ultimate user of labels would be if the label was marked as indicated by this bill.

Mr. CHANDLER. I would prefer to have a member of the industry answer that. I am in a position to say something about it because I have it by hearsay from the industry but he will be able to indicate to you that actually the cost is less than negligible.

Mr. CURTIN. Then I will withdraw my question at this time, Mr. Chairman.

Mr. MACDONALD. I will pursue it. I thought that the question had been answered. Before recess didn't you say that for each thousand it cost 1 penny or 1 cent a thousand?

Mr. CHANDLER. Yes. I said assuming the $3 figure.

Mr. MACDONALD. So that would be one-thousandth of a penny for the manufacture. I suppose to the ultimate consumer, the cost would be microscopic.

Mr. CHANDLER. I said less than negligible, and this was based upon assumptions that we took from the statements made by witnesses opposing the legislation, that the cost of labels would run in the area of $3 a thousand or thereabouts, and breaking it down on that supposition.

Mr. HUOT. Did I understand correctly you didn't seem to attach any importance as to whether the label showed or did not show where it was made and I think this would be important. I think other people feel the same way, that if this label showed made in Japan or wherever it might be, that you would assume that the product, the whole product, the suit, say, in a label, would indicate that the whole suit was made in Japan and not just the label.

Mr. CHANDLER. I would agree, in order not to confuse the customer, I would agree with the Menswear Retailers of America, and with some of the comments made by those who have presented statements in opposition, that the turned under section or the sew-under section

which disappears after it is in the label should contain the country of origin statement. So there can be no confusion of any kind.

Mr. HUOT. Do all labels have underfold?

Mr. CHANDLER. According to the statements made by those opposing the bill, more than 80 percent of all such labels contain the sew-in section.

Mr. HUOT. The people using these labels, would you call them the public and the consumer?

Mr. CHANDLER. No. The people using the labels would be the manufacturers. This I think we are unaminous in stating because the statements made by Commerce, the statements made by the State Department, the statements made by Mr. Daniels for the Japan-United States Trade Council, all address themselves, as do the court cases, to the basic approach that the manufacturer is the ultimate user of the label.

Mr. HUOT. So that labels would not be sold in quantities of one, let us say, that they would be used by someone who uses a bulk of these, and it has been found that the outer marking is not sufficient.

Mr. CHANDLER. The box has been removed and the labels have been reboxed with no identification on the boxes.

Mr. HUOT. Did I understand someone to say that when the bundle is opened, that the bundles on the inside were also marked?

Mr. CHANDLER. Yes, I said so. The boxes on the inside are also marked. The jobber than takes these boxes of labels and repacks them in his own box because he is the seller to the manufacturer. He is acting as a middle man. He will come in to you, you are a manufacturer, and he will take an order for labels and he won't tell you where he is buying them. And when he gets them in, whether it be from a domestic weaver or whether it be from a foreign weaver, he will then box them in his own boxes and there is nothing that can be done by FTC or Customs about it because they just haven't got the policing equipment. And to say that the industry itself should chase these things down and be the policeman would be a travesty on trying to enforce the law.

As a matter of fact, several years ago there was an attempt made to have a requirement enacted that repackaging of labels or the repackaging of anything imported would require that the new package contain the country of origin. FTC and Treasury appeared at those hearings and said "we just can't police this kind of thing. It is impossible for us to try to follow these boxes through into the hands of the ultimate purchaser,"—meaning the manufacturer—" to find out just what the jobber has done." So the simplest thing is to have it on the turnunder section of the label or on those few that may have no turnunder, to put it on the reverse side.

Mr. HUOT. What agency do you think is going to tear off labels to look on the back of them, out of anything? How will they police that?

Mr. CHANDLER. Just as they police the present products that come in under the marking requirements. If it has to be marked, this now is part of the duty of the Bureau of Customs of the Treasury Department.

Mr. HUOT. Do you know how many labels—somebody, I forget who it was, said there are very few labels exported. Would you say this is true?

Mr. CHANDLER. Yes, based upon what the industry tells me, there are very, very few exported, less than 1 percent of the total production, and these are mostly in the realm of seconds and those that have to be discarded for one reason or another.

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

Mr. MACDONALD. You are excused.

Mr. CHANDLER. Thank you.

(The statement of Mr. Chandler follows:)

STATEMENT OF LOUIS CHANDLER ON BEHALF OF THE WOVEN LABEL MANUFACTURERS OF THE UNITED STATES OF AMERICA IN SUPPORT OF H.R. 7043

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. 7043.

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 the 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 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. 7043 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 turnunder 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 hourglasses 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 of 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. 7043 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 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 middle 1950's, 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 garmentmaker, that country of origin.

Labels are woven in continuous fabric strips, packaged in rolls of 500 or 1,000 per roll. And importer of labels resells and ships them to the garmentmaker, 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;
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 manufacturers, 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 statment 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. This 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 Wool 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 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. 7043 merely requires that congressional policy as to textile products generally shall apply to woven labels. Currently, only the boxes containing foreign made labels needs 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 garmentmaker 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.

(Mr. Chandler later submitted the following supplemental statement:)

SUPPLEMENTAL STATEMENT OF LOUIS CHANDLER ON BEHALF OF WOVEN LABEL MANUFACTURERS OF UNITED STATES OF AMERICA IN SUPPORT OF H.R. 7043

Opponents of H.R. 7043 attempt to make four specific points against the proposed legislation.

(1) They indicate that legislation requiring the marking of country of origin on textile imports including woven labels, can be a deterrent to trade. (2) They claim that marking the cartons gives the required notice to the "ultimate customer," whom they say is the manufacturer of the garment to which the label is affixed and contend that labels are only "parts" of finished products anyway. (3) They declare that the retail customer could be confused by marking the country of origin on the label. (4) Finally, they assert that marking of labels would be costly or impractical.

Mr. Masaoka of the Association of Japanese Textile Imports, Inc., suggests in addition that, apart from the merits of the proposed legislation, the domestic manufacturers should, instead, try again to seek relief from administrative agencies. The Woven Label Manufacturers statement summarizes briefly their long, futile efforts to attract attention to their problem. The domestic manufacturers only seek to have their product treated like other finished textile products. It is the intent of the Textile Fiber Products Identification Act that the ultimate users of each such product shall be apprised of the country of its origin.

I. MARKING IS NOT A TRADE DETERRENT

Clearly, to attack the proposed legislation, as an obstacle to trade, is to attack the marking legislation as to textile fiber products generally. The different treatment of woven labels during the last 10 years has been an anomalous exception to the general legislation. The exception was created at that time by an administrative misreading of the *Gibson-Thompson* case. Woven labels were equated by the Bureau of Customs with imported wooden handles to be made into toothbrushes. The opponents themselves assert that a label is a separate product for the use of the manufacturer or the distributor of the garment, and not a part of the garment for the use of the retail buyer of the garment. Woven label manufacturers are not seeking special treatment. They are seeking the same treatment as other textile manufacturers receive, the treatment they themselves received up to the administrative ruling of 10 years ago. Surely, our national purpose of seeking lower tariffs does not contemplate that Congress be barred from modifying existing legislation to remove a meaningless administrative exception and thus in fact implementing a congressional edict.

II. MARKING THE CARTONS IN WHICH THE LABELS ARE IMPORTED GIVES NO ASSURANCE THAT THE USER OF LABELS, LIKE THE USER OF AN IMPORTED GARMENT, WILL BE INFORMED OF THE COUNTRY OF ORIGIN

Mr. Daniels of the United States-Japan Trade Council on pages 2 and 3 of his testimony asserts that there is no reason for foreign labels, usually imported in rolls, to be cut and folded and thus leave the marked carton, prior to delivery to the garment manufacturer. My Masaoka asserts on page 11 of his testimony that more than 95 percent of Japanese labels are imported already cut, and thus are in easy form for repackaging and shipment in odd lots. The twin team of importers testified that they ought to be trusted not to repackage labels from

marked cartons to unmarked cartons and that in fact deliveries were made to their customers without any change in carton. But another importer testified he removed labels from cartons and inspected them before delivering them to the manufacturer customer. The testimony of these men is the best argument for the passage of the legislation because they agree that the ultimate consumer, the manufacturer, should be notified. And the best kind of notification, that offering the least temptation to misrepresent, is to mark the label itself. One wonders what prompted these importers so to belabor the honesty of the breed. Complaints have been made to administrative agencies as to the repackaging of labels and other deceptive practices aimed at concealing the country of origin from the user of labels. No action has resulted from those complaints. Clearly, any expectation that customs agents can police the flow of labels from importer, to jobber, to merchandising concern, to garment manufacturer, and make sure that the labels stay in their cartons until used and that the ultimate user of the labels will have notice of the country of origin, is completely unrealistic and out of accord with administrative agency practice or authority.

Labels, clearly, are not parts of garments like cloth or thread. Labels are products which are sold finally to garment manufacturers, and concern only the manufacturer. The opponents themselves make a clear distinction between the garment, including its cloth and thread, which is to be used by the retail public, and the label, which serves a separate purpose of being used by the store or manufacturer to introduce the garment to the public, or to identify the garment.

III. THE RETAIL PUBLIC WILL NOT BE CONFUSED

Mr. Alex Johnson in his separate statement has clearly demonstrated, with three types of sewn-in labels, that there is no reason whatever for the retail public to be confused. The country of origin can be woven into each of those common types of labels, in such a way that it will not be at all visible to the buyer of the finished garment. While the proposed legislation properly does not foreclose foreign manufacturers from using other means of weaving in the country of origin, the turned under portions of some labels, and the portions of other labels to be sewn into seams of garments, would seem to offer the appropriate means of complying with the requirement that finished textile products, including woven labels, be marked with the country of origin.

IV. THE MARKING OF LABELS WOULD BE NEITHER COSTLY NOR IMPRACTICAL

Mr. Johnson, by a clear description of the process involved, and of the precise changes needed to add the country of origin to an ordinary label, has demonstrated how simple the required changes would be and how minimal would be their cost. It is simple for any nonmanufacturing importer or any adverse witness who utilizes a nonfactual, nonspecific, nonsequitor argument to assert glibly that any change of wording on a label is costly and difficult. But the facts apparent, even to the layman, belie the insinuation of such a gross misrepresentation. And any added cost would be even more miniscule, had costs been based on an elaborate, multicolored, brand name label rather than a simple "wash and wear" label. The opponents lay stress on a small size "hanger" labels. The back of such labels would be the appropriate place to add the country of origin. On this matter, too, the opponents claims are contradicted by the figures presented by their fellow witness, Mr. Masaoka. He disclosed that more than 80 percent of the Japanese labels are the more elaborate, brand name labels.

Mr. Johnson testified that Sears, Roebuck, and presumably other large users of labels, have identification numbers for different types of labels it uses, which are for its own convenience and are so applied as not to be visible to the buyer of the garment. It is important to note that a large user of labels finds that marking of the cartons containing labels does not give adequate assurance that the identification number will stay with the label until it is attached to the garment. How then can there be any assurance that the country of origin identification will stay with the label until it is in the hands of the manufacturers who will attach it to the garment?

CONCLUSION

A close examination of the arguments of those opposed to the proposed legislation reveals that they have failed to indicate why woven labels should continue to be excepted from the full requirements of the Textile Fiber Products Identification Act. Marking on the turned under portions of labels is perfectly

practical. A slight change in the wording of a style of labels would not be at all expensive, as shown by Mr. Johnson. The Woven Label Manufacturers Association, it should be emphasized, is not seeking special assistance. The proposed legislation would merely accord them the same treatment as they received prior to 1955, and the same treatment which textile manufacturers, generally, continue to receive. We therefore urge favorable consideration of H.R. 7043.

Mr. MACDONALD. Mr. Alexander Johnson.

STATEMENT OF ALEXANDER JOHNSON, CHAIRMAN, EXECUTIVE COMMITTEE, ARTISTIC WEAVING CO., POMPTON LAKES, N.J.; ACCOMPANIED BY HARRY VAN KIRK, PRESIDENT, WOVEN LABEL MANUFACTURERS OF THE UNITED STATES OF AMERICA; AND MAX L. KAHN, ALKAHN SILK LABEL CO.

Mr. JOHNSON. I thought you might have some pretty page girls to assist me in showing the exhibits, but since you don't will it please the Chair if Mr. Harry Van Kirk here were to help with the exhibits?

Mr. MACDONALD. Yes.

Mr. JOHNSON. Thank you.

I am Alex Johnson, chairman, executive committee, Artistic Weaving Co., Pompton Lakes, N.J., a domestic woven label manufacturer, with plants also in Pittsboro, N.C., and Holdrege, Nebr. I appreciate this opportunity of appearing before your committee in behalf of H.R. 7043.

Country of origin marking requirements, whether stipulated under the Textile Fiber Products Identification Act or under the Wool Products Labeling Act of 1939, 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 or damaged 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 just 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 is visible to the buyer only up to time of use and then 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 requirements of the law, and to do so in the face of these facts would be in contravention of the law's intent.

Distressing is the misunderstanding which unjustifiably persists in some quarters as to possible confusion to a retail garment customer from label marking. This comes from confusion with past, long since defunct proposals of marking a label on its final readable surface. Nothing of the kind is involved in the present marking proposal as will be developed as we go along.

Incidentally last year a corresponding previous label marking bill, H.R. 4994 was accompanied by House Report No. 1417 and that report bore the title "Labeling of Imported Woven Labels."

We respectfully suggest that a more appropriate title would have read, "Marking of Imported Woven Labels," rather than "labeling," because nowhere in the bill was it proposed that another label be affixed to the imported woven label. We are dealing with a matter of "marking" requirements on qualifying articles.

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 marketing law itself. If marking is undesirable, then scrap the law. 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 delienated the respective warp and figure yarns which would create the finished label.

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 A. This label is without country of origin marking. 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. By comparison with exhibit I you can readily see the very negligible amount of brush work involved in creat-

ing this country of origin marking. Exhibit II-A shows the label so marked.

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.

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 retail customer 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—

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. 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.

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 a strip form, now marked in the sew-in margin and for illustration showing "Sweden" as 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.

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 "Jonathan Logan" which roll of labels is in fact a foreign import.

Before delivery to the customer the labels are cut apart and folded and packaged as in exhibit V and it would be routine to ship to the customer in domestic boxes. Again this label was taken at random for illustration. 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.

The proposed marking of a woven label to identify the country of origin is no different from the present widespread practice of many buyers of labels who use several or many different styles of labels for different articles of merchandise, and identify each label by a style number woven into the hidden turnunder or sew-in area. When this label is put to use the style number disappears from view. Weaving in the style number is not any inconvenience, neither is it any cost or pricing factor, and as stated is standard practice in the industry. Exhibit 6 shows a group of such marked labels in use by Sears, Roebuck. They encounter no difficulties with their private identification marking and equally there will be no difficulties with similar country-of-origin-marking identification.

All the foregoing are fully supported facts. In the face of these facts, what can the importer say in opposition to the present marking proposal? He can say we do not want to mark the face of the label where the marking would be visible after the label is put to use and we are 100 percent with him on that request and nothing of the sort is contained in the present bill.

He cannot say that marking will inflict any inconvenience or hardship or expense or damage or impose any handicap in use of the labels. What does that leave him to say—obviously just one thing; namely, he would rather continue not having to mark if he can get away with it, basic marking law notwithstanding.

We say there is nothing whatsoever in the picture to entitle the label importer to any such special dispensation.

Based on all the foregoing, favorable consideration of H.R. 7043 is respectfully requested.

Thank you.

Mr. MACDONALD. Any questions of the witness?

Mr. CURTIN. No questions.

Mr. MACDONALD. I would like to compliment you, sir. The one thing that isn't clear in my mind, and perhaps should be, is what remedy do you now have?

Mr. JOHNSON. We have no present remedy.

Mr. MACDONALD. Under the law.

Mr. JOHNSON. None whatsoever under the law except to resort to the original marking law which I feel we are entitled to. But high powers refuse us that.

Mr. MACDONALD. And you have complained to the FTC?

Mr. JOHNSON. We have complained all along the line over the years.

Mr. MACDONALD. To whom have you complained?

Mr. JOHNSON. Oh, to Congressmen, if I may say so, to Treasury——

Mr. MACDONALD. I am talking now about the——

Mr. JOHNSON. To the Commerce Department, Federal Trade, Customs.

Mr. MACDONALD. And each bureau refers you to another bureau?

Mr. JOHNSON. We get always an evasive—that the regulations are set up and that is it.

Mr. MACDONALD. I don't quite follow you.

Mr. JOHNSON. Regulations are set up exempting woven labels and that is it.

Mr. MACDONALD. Exempting woven labels from what?

Mr. JOHNSON. Exempting them from marking—now—and claiming that marking packages will serve, which we know it does not.

I want to say this, that in singling out labels for exemption from marking, I am sure—I think this is Treasury's domain—I am sure that Treasury did not go down the list of thousands and thousands of items and analyze and say, "This should be marked, this should not be marked, this should be marked, this should not be marked."

What happened, some importer sought to evade marking and made a request and there was no hearing of which our industry or our company was ever notified, and it just came to pass and all of a sudden it is something we had to live with, and now we are seeking a remedy.

Mr. MACDONALD. Right. Do you have any questions?

Mr. HUOT. No.

Mr. CURTIN. Excuse me, Mr. Chairman. One question does occur to me as the result of your question.

Mr. Johnson, what is the differential in cost between a domestic label and a foreign label from, say, Hong Kong?

Mr. JOHNSON. I would say a domestic label—a foreign label—let me put it this way, sells at 20 to 33 percent, with some variations, as against competitive domestic prices.

Mr. MACDONALD. Twenty to thirty-three percent?

Mr. JOHNSON. Of the domestic——

Mr. MACDONALD. Less then?

Mr. JOHNSON. No; of the value. I will say if it is a $10 label, it might—the imported label might sell for from $2 to $3.50, something like that. There is a wide spread.

Mr. CURTIN. Do you mean a label that would cost in quantity, say, $10 for domestic production, will cost $2 to $3 for the same quantity if it is foreign made?

Mr. JOHNSON. In that area, something like that. This very thing that Mr. Chandler brought up here shows a label here selling for $6.45.

Mr. JOHNSON. Cut and folded, which would sell at possibly $20. Cutting and folding alone here for that would be $2.75.

Mr. CURTIN. That is all.

Mr. MACDONALD. Thank you very much, sir.

Mr. JOHNSON. Thank you.

Mr. MACDONALD. Mr. Harry Van Kirk, who is president of the Woven Label Manufacturers of the United States. Do you have any testimony?

Mr. VAN KIRK. No; I believe everything, in order to save time, that we care to say at this time has been said. Thank you very much.

Mr. MACDONALD. And Mr. Max Kahn?

Mr. KAHN. No remarks, sir.

Mr. MACDONALD. You have nothing further to add. All right.

The next witness will be Mr. Mike Masaoka, who is the Washington representative of the Association on Japanese Textile Imports, Inc.

STATEMENTS OF MIKE M. MASAOKA, WASHINGTON REPRESENTATIVE, ASSOCIATION ON JAPANESE TEXTILE IMPORTS, INC.; MONROE C. CLAYSON, HARVARD LABELS, INC., NEW YORK, N.Y.; AND HAROLD SHUR, CAVALIER LABEL CO.

Mr. MASAOKA. Mr. Chairman, members of the committee, inasmuch as I think the committee can be best informed with technical information regarding imported and domestic labels, I think we are very fortunate in having with us two major importers, Mr. Monroe Clayson of Harvard Label Co. and Mr. Harold Shur of Cavalier Label Co.

I would like them first to comment on the testimony they have heard, to answer the questions, and then with your permission I would simply like to summarize.

Mr. MACDONALD. You may proceed, Mr. Clayson.

Mr. CLAYSON. Mr. Chairman, my name is Monroe C. Clayson, Harvard Labels, Inc., of New York City. I have been in the textile business with a large firm of textile brokers and consultants for the past 22 years. For almost 6 years now I have been, in addition, running Harvard Labels Co., which is one of the largest of the importers of woven labels. Our labels are principally woven in Japan.

During the short time that I have been in charge of Harvard Labels this is the fourth effort I think to disrupt our imports within 5 years.

Let me tell you, sir, what happens when I take an order. If the label is one that I have previously woven, I cable to Japan the previous order and a repeat of so many labels, however it may be. I send a contract to the buyer which tells him that I will deliver those labels in approximately 4 months.

A domestic weaver, parenthetically, will deliver in a matter of 2 to 3 weeks.

The labels are woven in Japan, and then, having been woven, are sent out for hand folding. You have been told that there are machines in Japan for machine folding. It is true that there are machines in Japan but they cannot be used because the Japanese looms are a type which cannot weave a steady succession of the same length of labels. Those labels continually vary in length, and I have had the misfortune of having to pay several thousand dollars for having learned that.

We tried to make a label over there which was woven on a roll and had a certain amount of weaving of lettering with a blank space, and it was going into a machine which was going to print on the blank space. The companies that make foundation garments for ladies have to have a great many different kinds of fiber identification, so they were put on the name of the company and say the fiber identification is on the reverse side of the label and then they will print all the different kinds of things they want.

We had a lot of labels brought in and when the manufacturer tried to print on our labels, he found that after a little while he was printing on his own lettering, and he had to have people stand there and control the printing constantly, and much of it he couldn't control because they varied from label to label in length.

That is why although they have machines in Japan to cut and fold, they can't use them. The work in Japan is done by hand.

It may startle you to know that the people in Japan who are the beneficiaries of the work that I supply to them amount to about 650 people earning something from the work that we send out.

All right. The labels are woven. They are then cut and folded by hand and they are put into cartons marked in first little boxes of 500 or 1,000, each of which says "Made in Japan." These are packed into another box which says "Made in Japan," which identifies the order number, has a carton number, and these are collected to a point where there are at least 40 cubic feet involved so that we get the minimum shipping prices, and they come across and it takes 35 days for those labels to be shipped, to come into port and be cleared. Mind you, 35 days just for shipment, and when the domestic weaver can deliver the order within 3 to 4 weeks.

All right. What do we do then? I get an invoice that tells me what is being shipped. I mark it off on my records and I send that copy of that invoice or two copies of that invoice to the Customs broker. In addition to that I give him a list of every customer by carton number who is going to get those labels.

There is no mystery about it. Everyone is identified who is going to get it. In most cases it has a name that is applicable to that particular customer. He is the manufacturer of garments. But Customs knows who it is going to. My Customs broker knows who it is going to. And contrary to what you have heard here, I will say that perhaps between 80 and 90 percent of all the cartons which come in are shipped direct from the port to the customer. None of this repackaging. They go direct to him. What doesn't go to them comes into my warehouse, being held for later delivery.

I have to supply to Customs an affidavit of who these customers are and that they are going to get the labels in those cartons marked.

Now, the proponents say that they want the manufacturers informed that they are buying imported labels. You have said it, Mr. Chairman. This is a law for information. Well, who is to be informed? Is it the manufacturer of garments? He knows about it already. He knew about it when he bought the labels. Within 2 minutes after we start to negotiate with the domestic manufacturer we tell him that we are importers. The labels will come from Japan or some other country as we tell him. And they won't be here for 4 months or more. He says, but I need them fast. We say, fine, we will fly in some, and the only difference is that when the labels are ready to be shipped in, instead of coming by boat, taking 35 days, they will come in by plane within 4 or 5 days, but you have got to pay an international air shipping charge. It amounts to approximately $2 per pound just the way a parcel post package would come by the gross weight. It is not only the net weight, of course, in a parcel post package and it is not the net weight in an air shipment.

He knows he is going to wait 3 months for those labels and he is going to have to pay for an air shipping charge.

Does he know he is paying for imported labels? Of course he knows. How could it be otherwise? We deliver the cartons to him marked. The inner packages are marked with the country. They are told we are importing. They are told if they want them faster they have got to pay international freight charges.

Do customs know we are importing? Certainly they do. Can customs check on it? Yes, sir, they can and they try to.

Mr. MACDONALD. Could I ask a question?

Mr. CLAYSON. Certainly.

Mr. MACDONALD. On that very point, do you ever import labels and then thereafter sell them, or do you place the order?

Mr. CLAYSON. We sell—we place orders against orders which we have taken.

Mr. MACDONALD. Right. But you don't——

Mr. CLAYSON. We will do this, sir, to be complete. We will talk to an account and say how many labels are you going to be needing? The problem is for you that your business may pick up and while you make an estimate of how many you are going to use, you may want 50,000 labels a month and that is not a huge amount. But suppose your business jumps up to 100,000? It is going to take us 4 months to bring those labels in. Do you want us to bring in an extra quantity so that we will bring in, let us say—you want 100,000 a month; we will bring in 200,000 the first month, 200,000 the second month against your order and hold them to the end of the order, or sometimes we will say, and he will agree, you make up some extras and we will take them.

Now, customs checks. I have had customers call me and say, what is the matter? Are you being investigated? Someone was here and said, do I buy foreign imported labels? I said I didn't know what it was about but I told him I did. He said, well, where is the carton? I showed him the carton.

Now, it has been said that labels are brought in on rolls and then cut and folded over here. No such thing. For the same reason that

the Japanese can't use their cutting and folding label equipment, the Americans can't. The equipment is set to cut a certain length. The variation in Japanese labels is entirely too great. And these things when they are—sometimes they are pinked. Pinking is a zig-zag cut with scissors intended to stop raveling. When that has to be done for us, it was done for me once. It had to be done by hand by the workers in their spare time.

It has been presented to you that we bring in huge quantities of labels on rolls and repackage them here. Remember, I said that virtually all the labels that we bring in are sent directly from the pier to the customer. Why not? The customer wanted them at a certain time. We brought them in at a certain time. We don't want to bring them into our warehouse, pay one shipping charge there and another later on. We want to bring them in and give them to him when we agreed to give them to him.

What about the labels on rolls where it has been said are repackaged very easily and so forth? I say to you gentlemen that not 2 percent of the labels I have sold are on rolls—not 2 percent. Ninety-eight percent and more in my experience are cut and folded or they are pinked or they are loop label or miter-fold. These are all special types of cutting of labels. But on rolls, not even 2 percent. And of the labels which come in, the 2 percent, in only one instance have I failed to send out the labels on rolls, and why did they order them on rolls? Because the customer wanted them on rolls.

There are customers who make ties and they like to have a hand sewn-in label, so they don't want the label cut and folded. They want it on a roll. It is classy, looks rich. He saves a lot of money by having the label cut and folded in advance. Why should he do it otherwise? Why should he want it on rolls? Why in the world would I want to bring it in on rolls and not be able to find anybody able to cut and fold them?

You were given that impression here in the last hearing. The kind of language that was given to you is very clever.

Labels are woven in continuous fabric strips.

I am reading from Mr. Chandler's statement on page 7.

Labels are woven in continuous fabric strips, packaged in rolls of 500 or 1,000 per roll and the importer 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.

I read this thing and I gather it means to say that most labels come in on rolls. That is just impossible. And you can very readily check it with customs. There is no question about this at all. Six years, 2 percent, probably only 1 percent of my labels. And as I say, 99 percent of my labels that came in on rolls went out on rolls.

One case was different and why was it different? My customer wanted some kind of a gutta percha backing put on and that could not be done in a foreign country. It was done by a company out in New Jersey. J & H Labeling Processing Co. They attached the

gutta percha. The purpose of the gutta percha is that when you put an iron on it, it will adhere to a garment.

This man I believe made scarves and they wanted something that would go on—not necessarily to be completely permanent, but it had to go on and then perhaps be flaked off.

When J & H Processing got through with my labels, putting on the rolls these gutta percha, they called me up and said, we can't cut these labels on our machinery. We can't—they had to be pinked. We can't pink them because it is too irregular. So I sent them to a company on 23d Street, De Luxe Label Co., and they said, we have got to give these to our workers and they will do it at home. They can't do it my machine either.

That is the only case in which labels that I brought in on rolls were sent out not on rolls.

Now, you could ask me were they put into a carton that said "Made in Japan"? I don't know. It was an oversight. If I ever have to do it again, and God forbid, I will see that the label company down on 23d Street puts it in a carton saying "Made in Japan."

My customer knows about it.

All right. Now, there is no assurance that the country of origin of a label will not be visible to the retail customer. You have been told that this can be done, can be done easily, and the testimony was excellent. I admire Mr. Johnson. He is a very capable textile manufacturer. He made a good presentation. But I am wearing a label right here. You have been in stores. You have seen labels on the jackets. This is a sleeve label. What is it there for? This one says "Imported Wools, Finest Tailoring." This is intended to be taken off. I buy the packet. I am not going to walk around wearing this thing.

Fine. I take it off. "Japan," "Made in Japan." Why did they do this to me? Why didn't they tell me the garment came from Japan?

This label is made to be taken off. You only heard about labels which are meant to stay on. This is meant to be taken off. When it is taken off, it shows Japan under what they want.

Is it the only label that is taken off? No, sir. It it true that a label because it is cut and folded, when it is applied to a garment, hides the country of origin? No, sir. Not true either.

I have a garment here that I would like to show you. Remember, they said sew them in under the seam. That hides it. Here is a garment. That poor manufacturer would go crazy trying to find a seam. There is no seam in that garment. Therefore he sews it right on top. That is exactly what a customer could do, see underneath, see "Japan" underneath. Precisely so.

There is no assurance that the retail customer will not see that the label—that something was made in Japan, whatever it was. Well, is that the only kind of label like that? Did I happen to find some freak label? No, sir. As you see, the garment had no seam. Therefore it had to be sewn on top.

What else could he do?

I show you some additional labels here. I think you can see this label which says "Fifth Avenue Robes," has a big space at the top. Why? it is intended to be sewn there only. If it isn't sewn there, then the whole design is wrong.

Here is a McDonald label, very similar. This Scotch-English label is again made to be sewn on the top only. You see the arrangement of the lettering, the design, leaves a space at the top. This is a sweater manufacturer. The sweater manufacturer hates, like the devil, to have to sew a label in all around because there is no give. When he sews it and the garment gives, the garment stretches and sometimes labels shrink and you have a nice little puckering in that. So he will sew it at the top only.

But you are not told these things.

How about this one? This is no turnunder portion. It is pinked at the sides and again you have that space up at the top where they are going to sew it in.

Now, where are we going to put "Made in Japan" or "Japan" or whatever you want? Up at the very top? What assurance is there that girls working in the factory on piecework are going to be able to hide that thing? There are customers of mine who want a full half-inch of space at the top. There are other customers who say a quarter of an inch would do it.

Mr. MACDONALD. If I could just interject, the other labels that I saw, none of them—and perhaps they are unusual, perhaps they were just shown to us for purposes of this hearing—but none of them, the proposed labels, said "Made in Japan." They merely said "Japan."

Mr. CLAYSON. It makes no difference.

Mr. MACDONALD. Or Germany.

Mr. CLAYSON. This will be seen by the retail customer. Everybody agrees the retail customer is not to see this.

Now, I went into Arnold Constable a few days ago. I wanted to buy a sports jacket. I needed it. So I saw one that said—let me see what it said. I jotted it down. "Tailored by McGregor-Doniger," one of our leading sportswear houses in this country. It was a sleeve label. It happened the sports jacket didn't fit me. Not too many do. So I was thinking, though, that if I had bought it I would take it off and there it says Japan on the back, and Mr. Doniger would certainly split a gut over that.

Well, all right. What is the real aim of the bill? Not to tell a manufacturer that he bought imported labels. He knows it. He is very sure of it. The slow delivery alone is the clincher.

Not to prevent importers from repacking in the new cartons. That is a violation of law. They don't say that anybody really does it. They don't point to an instance of anybody doing it. They say so and they keep on saying so and they say so until finally you get to believe it. Nobody else was around to tell you differently.

Now, notice, since the trouble supposedly starts with imported rolls of labels, and these are only a tiny part of all of the imports, so spot-checking by customs inspectors could turn up the culprits very quickly. We are dealing with perhaps 2 percent of all the labels coming in and customs knows who is getting those rolls of labels.

So, fine. They go over to them. Are you buying from Harvard Labels? Did you buy the label on rolls? No. We bought them cut and folded. How did that happen?

I am the one that is going to be on the spot on that and Customs can find it out very simply. They don't need a load of investigators. Investigate the thing where so-called crookedness occurs. It doesn't occur and that is the reason.

The real aim of this law is to arouse prejudice of the employees of the manufacturer, not the manufacturer—the employees of the manufacturer in the hope that they will compel their employer to refuse to buy imported labels. And the real aim of this thing shows up, too, in a peculiar provision in that law as you have it proposed, that the law becomes effective in 60 days after it becomes a law, so that when we bring in labels, we can't bring them in. I buy my labels on an irrevocable letter of credit. My contracts can run for months. I don't know when they weave them in Japan. There is a long gap between the weaving and cutting and folding. They could have woven those labels and had them in stock and they have an irrevocable letter of credit of mine.

In order to bring them in within 60 days after this law becomes effective, they have to ship them out in about 25 days after the law becomes effective because it is going to take 35 days touch and go. I got the last day. What do I do with the ones after that? I can't bring them into the country. Throw them into the river. What do the domestic weavers care about that?

A minimum of a year's delay should be given, although I say that this law should not be passed. It does not inform. The person who needs the information has it. No question about it—the bill should not be enacted.

I should like to submit in opposition to this bill a written statement in rebuttal of some of the written statements that are filed by the proponents of the bill. I would like that permission, within 10 days.

Mr. MACDONALD. Without objection it is so granted.

Mr. CLAYSON. I would like to raise one particular point. It is not terribly important but a lot of what Mr. Chandler said had to do with economic factors and not the informational part of that law, but he did say at one point that the duty is now 19 percent, not 30.

This is wrong. I paid this week 30 percent ad valorem plus 25 cents a pound of the weight of the labels—not 19 percent. It used to be 19 percent. It went to 30 percent. It is 30 percent today.

Mr. MACDONALD. I have one question, sir. Would it satisfy you or would you feel any differently about it if the labels said on the back of the label instead of just saying "Japan" or "Made in Japan," if the label bore the inscription——

Mr. CLAYSON. In reverse?

Mr. MACDONALD. In reverse, label made in Japan.

Mr. CLAYSON. No, sir. Let me show you why. This is what the back of a label looks like [indicating]. You are going to deface the face of it if it has the words—if you are putting the words—here, I in effect have woven this in reverse. This is what the back is going to look like. That will be the face as you suggest. It is ugly. Somebody has a nice design. He doesn't want to ruin it with this sort of thing. Nobody. I would be thoroughly against it.

Mr. MACDONALD. Have you concluded your remarks?

Mr. CLAYSON. Unless you have some questions.

Mr. MACDONALD. I have no further questions.

Mr. CLAYSON. Very good.

Mr. SHUR. I believe my name had been brought up before. My name is Harold Shur. I am the owner of the Cavalier Label Co.

I have been listening to the testimony now for about 5 or 6 hours, some of it not all true, either by design or by accident, some given out of context, and certainly meant not to illuminate the committee, but I fear to deceive the committee.

The initial thing that we heard was the remark about duty, that it had been reversed from 30 percent duty plus weight charges down to 19.

The fact of the matter is that the duty was increased from 19 to 30 percent in 1959 and that is where it sits at the present moment.

Curiously enough, one of the exhibits that was handed up for your edification and enlightenment was a roll of Jonathan Logan labels and the curiosity is that it is my account..

Now, it was also stated in the presentation that this particular label can be brought in by rolls, on rolls, and then cut and folded. Well, insofar as it is I who sell him and have been doing this for a long time, as far as I know, I have never changed or altered or in any way defaced or misshaped a label other than the rolls, the very roll that has been presented.

Finally, only 1 month ago an inspector from the Bureau of Customs went up to Mr. William Goldstein, who buys the labels of Jonathan Logan, and asked him pointedly, "Who do you buy your labels from?" And he identified my company, and then he was asked if he knew where the labels came from. He said, "Of course I know where the labels come from. Mr. Shur sells them to me out of Japan."

So there never is an attempt to deceive or cover up. As a matter of fact, it happens to be my opening sales pitch, that I am a label importer. I find it advantageous to advertise this fact, not to conceal it.

Finally, we submit affidavits to Customs, an affidavit, a legal document, attesting to the fact that the customers know that the labels are coming from Japan.

It is a peculiar instance, but there are domestic manufacturers today with mills who are also in the label importing business. Physically, it would be impossible for me to repackage the labels. I would need boxes. I would need help. I would need all sorts of employees.

We work out of a sales office having no more than three or four desks. There isn't the physical capacity.

Possibly those who could repackage would be those who have plants out of which they work with the necessary help. So it could be maybe that some of the domestic people who have sought to join us rather than fight us in importing are the ones that are the culprits and are alluded to from time to time as the jitterbugs who are trying to fool the public.

Incidentally, Mr. Clayson makes a very good point. Ninety percent of the goods I sell in America I never see except for a sample. It lands in New York Harbor, it is shipped directly to the account. I never see it aside from the receipts and markings which, in turn, are registered at Customs and periodically checked.

Now they ask, also, I suppose, for relief, and that is a curious thing because I was listening to some of the figures being thrown around here and that, too, doesn't jibe with the facts.

No. 1, the rate of increase has been presented to this committee, the difference between label importing in 1958 and label importing in 1965 has risen to some astronomical figure. I would suggest that to make

the picture even blacker for us, why not compare 1965 importations with 1922 importations. It would be an even greater dramatic difference.

The fact is, I would submit to you, that from 1962 to 1965, which is current, and 3 years current right up to now, there has been no appreciable difference. As a matter of fact, to my regret the limits of the Japanese production for oversea selling to us have just about been raised. We can't buy any more. We have just about had it. So if we maintain our figures, this is as good as we can go as far as the label business is concerned.

Mr. MACDONALD. Could I ask you why?

Mr. SHUR. Because there are only so many looms in Japan at the present time. Many of these looms take care of the Japanese home consumption. The balance of the looms have been bought, and the usage, the end product therefrom, has been taken by Monroe or myself or other importers. There just aren't many looms left.

Mr. MACDONALD. You mean business is so good in Japan?

Mr. SHUR. There are times——

Mr. MACDONALD. They have run out of operating looms.

Mr. SHUR. Yes. The Government does not permit them to add new machinery to this industry on the theory that if it is a sewed-up industry now, they don't want to go into a depression type of economy by having an overabundance of looms, by having added to them, an underabundance of orders.

Mr. CLAYSON. I made a trip to Japan and I have discussed this particular thing. Couldn't we arrange to have new looms put in? The answer was MITI, which is the Government agency, has refused to do it because some years back the weavers in Japan went to MITI and said, don't allow any more looms in because we are being pressured for lower and lower prices and there is too much competition in the production. There is too much available idle capacity. So don't allow any more looms. MITI said, all right, we won't allow any more looms.

Then came the terrific pressure in Japan when the Olympics came along and huge amounts of labels were being made for visitors. A special type of little emblem was set up for the different airlines and packaged in candy boxes, using the same looms, by the way, and so the label weavers went to MITI and said, allow us to put in some more looms. MITI said, remember, you came to us and said no more looms. We won't let you do it. The only thing we will allow, if a loom is in such bad condition, our inspector says it can't be used any more, then we will allow you to junk that and replace it. But no others.

Japan is a growing economy with tremendous amounts of business being done all over the world. There is a limit to how much we can bring in. The value will remain pretty static.

Mr. MACDONALD. Have you dealt with the Netherlands? I heard testimony today——

Mr. CLAYSON. No, sir, I haven't.

Mr. MACDONALD (continuing). That surprised me that it was in these figures that the Commerce——

Mr. CLAYSON. Mr. Macdonald, it said cotton labels. Now, cotton label means that the label is made of a warp of—are you familiar with the term "warp"?

Mr. MACDONALD. Yes.

Mr. CLAYSON. The warp is all cotton, 102 ply, combed, peeled, gassed, and mercerized, which is a very expensive yarn and we get virtually no call for that in Japan.

Mr. SHUR. It is a quota item and the Japanese will not waste cotton on labels. They save it for garments.

Furthermore, I have noted myself that the Japanese on the one hand have wisely limited their production of labels by not permitting additional looms to be installed anywhere in Japan and it has forced me, incidentally, to cut back on the amount of volume I could possibly do because there were no facilities left for making the labels.

Finally, they asked for relief and I can understand this. I am not totally unaware of the problems that this kind of importation could develop in the American industry, but are we talking about a country, for example, Japan, that usurps from the American worker 40, 50, or 60 percent of its production? Not even close. The last figures we have, the testimony given by the domestic industry, their total volume runs to somewhere between $25 and $27 million. Combined, all of us do no more than 2 million, 2¼ million. Possibly less than 10 percent of the entire market is taken by us for importing of labels. And I don't think that is attrition in any kind of form, especially since we can go no further as far as buying is concerned.

I get wound up on the points I want to make.

Finally, Mr. Chandler got up and addressed to the possible cost of cutting and folding the additional marking of the word Japan and presented a very handsome array of labels, how it is easily done with Jacquards and paint brushes and all the rest.

There happen to be a number of labels brought in by my company which are not folded and cut underneath. The face of the label is the entire label. It is pinked along the edges but that is it.

Now, in order to put the mark "Japan" on it, I would then have to add a quarter of an inch on either side and on one of the sides put in the word "Japan, so the cost is not a penny a thousand. I would have to increase the overall size of the label, quite an addition, and then have to cut and fold which is a more expensive proposition, and finally I would be producing an item which I could not sell.

Now, I don't believe that this bill has as its——

Mr. CURTIN. Excuse me. Could I interrupt for a question at that point, Mr. Chairman?

Do you mean to say that many of the labels that you import are not folded at all? They are just sewed into a garment with the raw edges showing?

Mr. SHUR. Yes, sir. With the pinked edges showing.

Mr. CURTIN. And what would be the additional cost if they were made a quarter of an inch wider to permit the folding under and sewing.

Mr. SHUR. I don't want to mislead and I don't wan't to come off the cuff with an answer that may not be relevant, but I believe with the additional yarns, a quarter of an inch on either side of a 2-inch label, I am adding a half-inch to it and the cutting and folding which is a hand process, it might increase—plus the duty on the increased cost to me—might well drive the cost per thousand up by so much as 25 to 30 percent on the same label, and I know whereof I speak because I have done precisely this in the past and just did not weave the word

"Japan" which was not necessary. These gentlemen who presumably have never bought a label in Japan should not and cannot be the authority on what it would cost, Mr. Chandler notwithstanding. I deal with this business every day.

Mr. CURTIN. Would the cost of weaving the word "Japan" or "Hong Kong" or "Netherlands" on the side of the label substantially increase the cost?

Mr. SHUR. Provided I have already got a cut and fold label with the additional label to it, the insertion of this word "Japan" would not make a dramatic difference. But I wouldn't say a penny a thousand. I don't know. Presumably he is in the importing business. Maybe he knows. I don't know.

Mr. CURTIN. Do you know, Mr. Clayson?

Mr. CLAYSON. The question is not the kind of thing that you can answer so flatly. Our costs vary according to the width. A wider label costs so much to weave such and such a length and a narrower label less.

Mr. SHUR. I would like to make one other point which might be—I don't know if I do it to illuminate or what, but I have an account who has a vast manufacturing complex in Jamaica, the West Indies, and on his label he wants the name of his shirt, the size, and the words "Made in Jamaica" on it. And on this label is included just that legend, "Made in Jamaica." And I can just see myself selling him a label that says "Made in Jamaica," "Made in Japan." It would be enough to confuse anybody, I think.

In addition to that, I have——

Mr. CURTIN. If I could interrupt again, I don't think there is any proposed requirement that this mark on the label should say "made" in any country. I believe just the name of the country is what is being suggested.

Mr. SHUR. Sir, may I suggest that a label that says made in Jamaica-Japan would be confusing. And finally I have many accounts who on their label——

Mr. MACDONALD. On that very point I dont think you are correct. If I thought you were correct, I think I might change the bill because I introduced the bill.

We are talking about the bill that I introduced. And certainly I think it would be confusing if on the surface of the label it said made in Jamaica and then on the side of it it said Japan, but that isn't what is going to happen.

Mr. SHUR. But this very label——

Mr. MACDONALD. According to this bill.

Mr. SHUR. But, sir, this very label to which I allude——

Mr. MACDONALD. It says made in Jamaica on the front side and then it is the back part that has got the Japan on it.

Mr. SHUR. Mr. Chairman, respectfully I will tell you that this particular label made in Japan is not a cut and folded label. It is a pinked label. The label that says "Made in Jamaica" is not a cut and folded label. Now, I would have to rearrange his buying and thinking.

Mr. MACDONALD. If it wouldn't go on the side it could go in the back no matter what kind of label it was.

Mr. SHUR. There is no back.

Mr. MACDONALD. There is no back to a label?

Mr. SHUR. There is no back on which you could print or weave the word "Japan" without defacing the front.

Mr. MACDONALD. You stagger my knowledge. If there is a front to something, there has to be a back to it.

Mr. SHUR. Well, perhaps I am not clear on the point. This is precisely the kind of a label that I refer to and on the face of it it says "Made in Jamaica" or "Made in the USA." Now, where would I put the word "Japan?"

Mr. MACDONALD. On the back.

Mr. SHUR. Where?

Mr. MACDONALD. Well, I suppose right along here (indicating).

Mr. SHUR. But that would deface the front.

Mr. MACDONALD. Well, this would be folded over, I take it.

Mr. SHUR. But that would be——

Mr. MACDONALD. This isn't folded over. Put it on here.

Mr. SHUR. But then this is exposed, sir, and sewn in this fashion where the word "Japan" is easily seen.

Mr. CURTIN. May I interrupt? What would be wrong with using the word "Japan," or whatever the country is, on this attached edge, because when you sew it, even if you don't fold it under, it would still be on the back of the label.

Mr. CLAYSON. This garment shows it. The garment doesn't have a place to sew it in.

Mr. MACDONALD. I would hardly say, in all fairness, I don't think that is perhaps a typical garment.

Mr. CLAYSON. It is a very common procedure.

Mr. SHUR. And probably a very big volume user of ours in the bargain. It is quite typical. You won't be told this and there will be a lot of laughter, but we do sell a lot of labels for that particular kind of garment.

Mr. CLAYSON. Mr. Chairman, we will make the statement under oath.

Mr. MACDONALD. Is this a lady's garment?

Mr. SHUR. This is a lady's garment.

Mr. MACDONALD. I have heard of the no-top new styles.

Mr. CLAYSON. Like a slip-on. Like a vest.

Mr. SHUR. Mr. Chairman, I would also like to point out that the "Made in Jamaica" legend on the particular label to which I refer is not unique because about 10 to 15 percent of my people in and around New York City use a label which gives their trade name and "Made in the U.S.A."

Now, the reason "Made in the U.S.A." was originally included into the label design was so that the customer will know that the garment was made in the U.S.A. Hence, it becomes an integral part of the garment. If it were under the flap or on the side or above or beyond or any place, if I would somehow try to get the word "Japan" in there, this would be subverting the intention of the garmentmaker to prove his garments are made in America.

Mr. MACDONALD. Does that about conclude your statement, sir?

Mr. SHUR. I understand it is getting a little late. I stand alongside of Mr. Clayson and I would like to say——

Mr. MACDONALD. You associate yourself with the remarks made by your colleague.

Mr. SHUR. Well, we are colleagues here at the moment, but as soon as we get back to New York, the gloves will go on.

Mr. MACDONALD. Thank you both very much.

Mr. SHUR. Thank you.

Mr. MASAOKA. Since Mr. Clayson and Mr. Shur have covered most of the material which I would have covered in a rather lengthy statement, with your permission I would like to have the statement incorporated as a part of the record.

Mr. MACDONALD. Without objection it will be made a part of the permanent record.

Mr. MASAOKA. I have three letters from three companies that use labels, Auburn Importing Corp., Aragon Woven Label Co., and Curtis Coleman Co., which I would like to submit for the record, all indicating that if the bill under consideration should be enacted into law, they will no longer buy labels from Japan.

Mr. MACDONALD. Without objection they are received.

(The statement of Mr. Masaoka together with the three letters referred to, follow:)

STATEMENT OF ASSOCIATION ON JAPANESE TEXTILE IMPORTS, INC., OPPOSING H.R. 7043 (COUNTRY OF ORIGIN IDENTIFICATION OF IMPORTED WOVEN LABELS)

Mr. Chairman and members of the subcommittee, my name is Mike M. Masaoka, Washington representative for the Association on Japanese Textile Imports, Inc., a New York trade association whose members are responsible for more than 70 percent of all textiles imported from Japan by the United States.

We appear in opposition to H.R. 7043, a bill "To amend the Textile Fiber Products Identification Act and the Wool Products Labeling Act of 1939 in order to require that imported labels must have woven into them the name of the country where woven."

By way of explaining our testimony this year, although we were very much opposed to similar legislation in the last Congress, we did not appear to testify against that measure because, with every Government department and agency involved expressing official objection to the bill, we erroneously concluded that it would not be necessary to make an appearance.

This year, however, we requested this opportunity to submit facts and arguments which we trust will persuade this subcommittee to determine that this legislation is neither necessary nor justified. Indeed, we believe that its enactment would only create problems and would violate the spirit and the principle of our Nation's Trade Expansion Act of 1962 and jeopardize current American efforts at Geneva, during the so-called Kennedy round of GATT negotiations, to secure the elimination of nontariff barriers to world trade, for without question in our minds the consequences of this proposed legislation would be to impose import restrictions of the type that we deplore.

Since we are not technicians or experts in the field of textiles generally and of woven labels particularly, we are pleased that two major importers of woven labels, Monroe Clayson of Harvard Labels, Inc., and Harold Schur of Cavalier Label Co., Inc., both of New York, are present to testify and to answer questions from their experience and knowledge regarding the implications involved in H.R. 7043 and similar legislation.

From our discussions with them, and with other importers, we are convinced that this bill is not as simple as it may appear on its face and that its actual and practical effect will be to drastically reduce and curtail the importation of Japanese woven labels into the United States. Indeed, we have been informed by some importers that their customers have told them quite emphatically that enactment of H.R. 7043, or similar legislation, would cause them to refuse to use Japanese woven labels.

Thus, in spite of what may be advanced to justify this legislation, H.R. 7043 is in fact a bill to restrict the importation of Japanese woven labels.

We regret to confess what domestic weavers of woven labels are most conscious of, that—unfortunately for the Japanese manufacturers and exporters—because of misunderstandings of what actually took place, of past trade practices

and experiences that are no longer valid, and of latent and even active prejudice against the Japanese and "things" Japanese, the "Made in Japan" identification is too often with too many Americans an appeal to emotional resentment, sales resistance, and even import discrimination.

And these unfortunate reactions continue despite the generally outstanding bargains of superior workmanship that mark most Japanese imports at this time and the genuinely mutually advantageous aspects and relationships in United States-Japan trade.

In the last Congress, an identical bill H.R. 4994 was submitted to the Federal Trade Commission, the Department of State, the Department of Commerce, the Department of the Treasury, and the Bureau of the Budget for comments and recommendations.

According to Report No. 1417 of the House of Representatives, 88th Congress, 2d session, May 1964, all of the Government departments and agencies to which an identical bill was referred recommended against enactment of the legislation.

The Federal Trade Commission wrote the chairman of this committee in part as follows: "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 labels were woven in another country.*

"The Commission opposes enactment of H.R. 4994." [Emphasis supplied.]

The State Department also wrote the chairman of this committee, stating that "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 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 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 * * *.

"For the reasons set forth above, the Department of State is opposed to the enactment of H.R. 4994." [Emphasis supplied.]

The Commerce Department report to the chairman of this committee emphasized that "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 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."

Significantly, the Commerce Department adds the postscript that "*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." [Emphasis supplied.]

The Department of the Treasury, in its recommendations to the chairman of this committee, reveals that "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 legible 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." [Emphasis supplied.]

The Assistant Director for Legislative Reference, of the Bureau of the Budget, of the Executive Office of the President, in a letter to the chairman of this committee noted that 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."

The Washington Post newspaper for August 21, 1964, featured an editorial entitled "Labeling Labels," in which it was stated that "The 88th Congress, justly praised by the President for its accomplishments, seems to be bent on sullying a magnificent record with a series of know-nothing protectionist measures. Its most ludicrous brainchild is a bill requiring that labels woven in a foreign country have inserted in the weave the name of the country in which it was woven. This requirement, designed to harass importers, might also work to the bewilderment of consumers. The label on an expensive sweater knitted in England might read 'Made in Hong Kong.'"

In the last Congress, this committee apparently decided to disregard the recommendations of the administration because, according to the committee report No. 1417: "During the hearings on this legislation, witnesses testified that the practice of repackaging of woven labels, prior to the sale to the garment manu-

facturer, deceives the manufacturer into believing the labels are of American origin and consequently results in thwarting of the customs laws applicable to all finished products imported into the United States."

This allegation is directly contrary to the statement of the Treasury Department, in its letter to the chairman of this committee dated November 4, 1963, and previously referred to earlier.

At that time, it was clearly emphasized that "*No evidence has been submitted to the Treasury Department that the exception from marking of woven labels* * * * is not appropriate or *has resulted in misleading the U.S. 'ultimate purchaser'* (which the Customs Bureau has ruled is the manufacturer of articles to which woven labels are affixed)." [Emphasis supplied.]

Beyond this, that letter specifically suggested that "If a valid case is to be made, it should be made, in the first instance, to the Treasury Department."

If the deceptive and misleading practice alleged by the domestic woven label manufacturers is so prevalent or commonplace, why do not these same manufacturers take and prove these charges to the Customs Bureau and not the Treasury Department?

According to an informal and unofficial check with the Customs Bureau, no official complaints have been lodged against importers in "recent years," that is, perhaps in the last 5 years, charging these importers with removing rolls of imported woven labels from their original containers and then shipping them to American apparel makers as U.S. woven labels.

We understand that the Customs Bureau has specific regulations covering such merchandise as woven labels, in order that the cutters or manufacturers of garments, among others, will not be misled or defrauded, and that it polices importers to assure compliance.

Moreover, as far as we have been able to ascertain, the Federal Trade Commission has not issued cease-and-desist orders against any importers of woven labels for the unfair trade practices alleged by the domestic manufacturers.

We respectfully urge that this subcommittee request the Bureau of Customs and the Federal Trade Commission to report concerning these very serious charges made by the domestic woven label industry, for they suggest that American importers are violating the law and regulations on a widespread basis and that the appropriate Government agencies are lax in enforcing these laws and regulations that were promulgated to safeguard the people, including the "ultimate consumers," from unfair, deceptive, and fraudulent practices.

Furthermore, we submit that the domestic woven label manufacturers exhaust the administrative remedies available to them before coming to the Congress for legislative relief if, in fact, their primary reason for seeking this restrictive legislation is to prevent the kind of unfair and misleading practices of which they complain.

If, on the other hand, the domestic woven label industry seeks to reduce the quantity of woven label imports entered into this country, then we respectfully suggest that their recourse, according to the laws and procedures established by the Congress, is to appeal to the Tariff Commission for such relief as they may desire in the way of either or both increased tariffs or special restrictions such as a quota, or other adjustment assistance.

Because of the tremendously fierce and notoriously cutthroat competition within the trades that use woven labels, such as the garment industry, and because of the economic realities of international commerce, it is difficult for us to conceive that American users of woven labels, including the so-called cutters and manufacturers of apparel wear, for instance, are not very much aware of whether they are purchasing domestic or imported woven labels.

There is the matter of price. Imported labels have to sell for less than the domestic item. If this difference between the imported and domestic merchandise is reduced to the level that it is no longer worthwhile for the users of woven labels to use imported labels, strictly as a matter of business profit and loss they will stop using imported woven labels.

Then, there is the matter of delivery time. Delivery time for imported items from Japan, for example, is approximately 4 months, compared to approximately 3 to 4 weeks for domestic woven labels. Even if in special situations Japanese labels are jet-flown in, at greatly increased cost, only about a month in time is saved.

There is also the matter of construction, including size and fiber of yarns, the weaving process, the cutting procedures, etc. We have been informed that American woven label looms generally are faster and more efficient than the

Japanese looms. We have been given to understand that some American looms produce as many as 72 separate labels at one time, as against only 17 to 19 on Japanese looms, and that these American looms weave at a much faster speed than do their Japanese counterparts. We have also been told that the weaving of labels in Japan is not as precise as it is in the United States, which means that the labels may vary slightly within the rolls. This is why so many Japanese woven labels are cut and folded by hand and are a part of the cottage industry program in Japan, whereas most U.S. woven labels are cut and folded quickly and efficiently by automatic machines.

The special problems involved in Japanese woven labels account for the fact that, according to the "educated guess" of the Japan Textile Products Exporters' Association since specific breakdowns are not available, exports of Japanese woven labels in the cut form constitute 95 percent or more, and in roll form only 5 percent or less.

Moreover, also according to the "educated guess" of the Japanese Textile Products Exporters' Association, so-called brand name, or specially designed, labels make up about 80 percent or more of Japanese labels exported to the United States, while so-called stock labels, such as those indicating the size, as L, M, and S, and A. B, etc., make up about 20 percent or less of the shipments.

According to a number of importers, these Japanese export figures are much too conservative; that is, that the quantities of cut labels and brand name labels imported into the United States constitute a higher percentage than those estimated by the Japanese.

Of interest may be data of the U.S. Department of Commerce, showing that American imports of woven labels in 1962 amounted to 433,735 pounds, valued at $1,153,288; in 1963, 369,489 pounds, valued at $1,013,004; and in 1964, 420,221 pounds, valued at $1,392,873.

According to the testimony of a domestic industry witness, at hearings held on November 6, 1963, at that time it was assumed that American consumption of all woven labels was about $25 million in dollar volume. Accepting that total figure, imports did not constitute the substantial portion of consumption, which was estimated at about 25 percent, which the industry witness also assumed. In 1962, the dollar volume of woven label imports were only $1,153,288, and in 1963, only $1,013,004, according to our Department of Commerce statistics, rather than the $6¼ million suggested at that time.

Also of interest may be Commerce Department information that confirms that Japan is now, and has been for at least the past 3 years, the major supplier of imported woven labels. In 1964, Japan was responsible for 411,444 pounds of woven labels, valued at $1,364,459.

Japanese weaving and exporting of woven labels are part of the effort of the Japanese textile industry to diversify their textile exports to the United States, a program encouraged and endorsed by both the U.S. Government and the American textile industry.

May we add from our own experience parenthetically, that the Japanese textile industry is becoming increasingly discouraged about its efforts to diversify exports to the United States, for it seems that whenever the Japanese do begin to export in any appreciable quantities any new product, some segment of the American textile industry immediately attempts to restrict the entry of that new merchandise.

So-called concentration of the Japanese in a select, few items will never be avoided if the U.S. industries concerned do not encourage and promote the diversification of exports.

Domestic industry spokesmen indicate that a principal reason for the opposition expressed by various Government agencies to the proposed legislation is due to the misunderstanding that the country of origin marking would be visible, and therefore confusing, to the retail consumer of the finished product to which the woven label would be affixed.

Domestic industry spokesmen insist that this country of origin identification could be woven on the turnover section of the woven label, and accordingly, would be helpful to the manufacturer or processor who uses such woven labels on their finished article, while being concealed from the final consumer.

We are hopeful that our importer witnesses will be able to clarify this problem and to demonstrate that in many, if not in most cases, the suggestion of the domestic industry is not practical and realistic.

From what we have been told by importers, there are many types of woven labels that are not appropriate for turnover portions.

These include such labels as are on the outside sleeves of men's coats and other apparel which are intended to be cut off and removed by the eventual wearer. If a "Made in Japan" marking was woven on the turnover section, the retail customer would see and think that it was deliberately concealed in order to overcome whatever his prejudices might be to the "Made in Japan" identification.

There are other labels on which the country of manufacture of the finished product, such as "Made in U.S.A.," or on which the name of the manufacturer and often the city or community where located, such as H. Freeman of Philadelphia, or the name of the retailer and place of business, as Raleigh Haberdasher of Washington, might be designated. To add a "Made in Japan" marking might make it most confusing if, as in so many cases, the woven label is stitched in such a loose manner that it may be easily removed, or even come off on its own with a little wear.

Moreover, many garments, for example, have so many labels on them, such as the brand name of the maker, the fiber content, the size, washing instructions, etc., that the possibilities of a label becoming loose and coming off have been greatly increased. If a "Made in Japan" marking is woven in the turnover section, the person who eventually sees that identification is misled into believing that either the Japanese or the manufacturer deliberately tried to hide that country-of-origin marking from his knowledge at the time of his purchase.

Furthermore, with such new innovations as "wash and wear," more wearing apparel are being hand washed, or washed in machines at home, or at public laundromats, than ever before. Even home and self-drycleaning machines are more popular now. All these trends cause more and more housewives, among others, to become aware of loose labels and to cut them off in many instances right after purchase. Thus, country of origin markings on the reverse and hidden side of labels when first seen on articles of apparel, etc., add to the impression of deliberate concealment.

Then, too, there are many woven labels that are stitched to an article on one side only, such as those denoting the size of a shirt, or blouse. These labels flap from side to side, and might be sewn on one side over another label, and a "Made in Japan" marking on the so-called underside of the label could only create the notion that the entire product was made in Japan.

Also, there are many small labels, such as those referred to above designating general or specific sizes. To require that country-of-origin markings be woven into such small labels would force the labels themselves to be increased to more cumbersome sizes.

We think that the short summary of some of the problems in connection with the proposed legislation explains why Japanese exports of woven labels consist of 70 percent or more in the pinked and looped miter hold types and less than 30 percent in the cut hold types, according to the educated guess of the Japan Textile Products Exporters' Association.

The pinked and looper miter hold types cannot have turned over sections added without considerable trouble and expense. And, the cut hold types that are more susceptible to country of origin markings on their turnover sides would, because of their flap characteristics, add confusion of the eventual wearer or user of the finished product on which the label is used.

Our information, contrary to that of spokesmen for the domestic woven label industry, is that the requirements of the proposed bill for country-of-origin markings would add substantially to the cost of imported labels.

In dollar terms, the increased costs may not seem substantial because woven labels are sold in mass volume members, in lots of hundreds and thousands.

To the Japanese weaver of woven labels, however, information from the Japan Textile Products Exporters' Association suggests that, relatively speaking and percentagewise, this increased cost can be most significant in whether Americans will continue to purchase Japanese woven labels or not.

In most instances, slightly more cloth will have to be used, not only to permit the country-of-origin marking to be woven in but also to enable the turnover section to be turned over without seriously harming the front side of the label. And, as with most brand-name labels, the cutting and folding operation will be slowed as more care will have to be taken in this process.

Rough estimates of the increased cost supplied us suggests that the added expenses of weaving, cutting, and folding Japanese labels would vary from about 6 to 77 percent of current costs.

The American tailor or manufacturer of garments, on the other hand, would have to make certain that their labels are more carefully stitched on, making sure that the country-of-origin marking is hidden. This not only slows up the productivity of the individual workers involved but also may require a stronger and more expensive thread for the stitching. It is self-evident that the costs of just this single operation will increase the costs of using Japanese labels substantially, perhaps enough to make it unprofitable for them to continue to use Japanese woven labels.

And, the crease created by the turnedover section containing the country-of-origin marking produces the rougher edge that will cause the labels to wear off more quickly than at present under frequent handling and washing, etc., thereby only adding to the confusion of the eventual wearer and user as to whether only the label or the entire product was made in Japan or some other foreign country.

In summary and conclusion, on behalf of the Association on Japanese Textile Imports, Inc., and especially our importers of woven labels, we respectfully urge that H.R. 7043 not be enacted into law.

1. We believe that the proposed country-of-origin identification for all woven labels is neither necessary nor justified in fact for the protection of manufacturers, processors, and others who use woven labels on their finished products. As the Departments of State, Commerce, and the Treasury and the Federal Trade Commission have reported to the chairman of this committee, the present legal requirements are sufficient.

2. We believe that if the importers and others are repacking and reboxing imported woven labels and misleading manufacturers, processors, and other users concerning the foreign origin of their labels, the proper recourse is to the Bureau of the Customs and the Federal Trade Commission, both of which have legal responsibilities to prevent deceptive, fraudulent, and unfair trade practices. If the allegations of the domestic woven label industry are true, the law is being violated and the question is one of law enforcement, not new legislation.

3. We believe that the proposed country-of-origin markings for woven labels will, as reported by the State, Commerce, and Treasury Departments and the Federal Trade Commission, only serve to confuse and confound, and possibly to mislead, the retail purchaser as to the country of origin of the finished products to which the woven labels are affixed. The question would be whether the country of origin referred only to the label or also to the finished item.

4. We believe that the proposal of the domestic industry spokesmen that the country-of-origin marking be woven on the turnover section of the labels and then stitched on in such a manner as to conceal country-of-origin identification from the retail consumer is impractical, unrealistic, expensive, and even more confusing.

The domestic industry suggestion, developed to overcome the objections of the administration that country-of-origin markings on woven labels would be confusing to the retail customer, is impractical because it is based on two false assumptions. One is that all woven labels are completely stitched around when affixed to the finished apparel or other product. The other is that these woven labels will never be removed, or come off, and thereby reveal the concealed country-of-origin identification of the label only. Both of these assumptions, as we have commented earlier, simply are not true reflections of trade and industry practice.

It is not realistic because there are so many different kinds and shapes of woven labels, so many different uses for them, and so many different ways in which they may be attached to the finished article of manufacture.

It is expensive because, in most cases, some additional cloth would be needed to provide the extra space for the country-of-origin identification and the turnover section, more care would be needed to cut and fold the woven labels, and even more care and trouble would be needed on the part of the processor to make certain that the country-of-origin markings would be completely concealed to the prospective customer and that the label is sewn on in such a manner and place that it will not readily become detached or some stitching come loose.

It is even more confusing than the plainly visible at first glance country-of-origin marking on woven labels because, once detached for any reason, the retail consumer may be given the impression that the country-of-origin identification was deliberately concealed in order that whatever prejudices he might have against the product of a certain country could not be exercised. Woven labels in too many cases become loose and detached, thereby creating the problem indi-

cated above. If woven labels are to be sewn on completely and in such a manner that they cannot be detached except by deliberate cutting of the stitches, then the whole concept of attaching woven labels to certain garments and other goods will be drastically altered, and perhaps fewer woven labels will be used, to the detriment of the domestic industry.

5. We believe that this proposed legislation violates the principles and objectives of our national trade policy and is against the greater national and public interest. The State Department concluded that it "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." The Commerce Department views it as "an undue burden on foreign commerce." And the Treasury Department considers it an "indirect method" for import restrictions.

6. We believe that the actual purpose and effect of the proposed legislation are to discourage the trade in woven labels, especially those from Japan. By requiring the "Made in Japan" identification, those with prejudices against Japan and Japanese merchandise will be encouraged to refuse to buy and use Japanese woven labels, and also, through confusion, possibly the final products to which these labels may be attached as well. By increasing the costs of Japanese woven labels to the manufacturers and other users of woven labels, Japanese woven labels may be priced out of the American market for woven labels.

While it would be an easy and welcome matter for us to expound on the advantages of continued good trade relations with Japan, we do not believe that such an exposition is necessary at this time, for we are confident that this subcommittee and the Committee on Interstate and Foreign Commerce are well aware of these beneficial consequences of United States-Japan trade to every State and section of our country.

Suffice it to say, that, second only to neighbor Canada, Japan is America's biggest and best customer for all our export goods and the first for our agricultural products; for the 2 decades since the end of hostilities, the balance of trade has been substantially in our favor except for a single year; and that Japan needs to export to the United States to earn the dollars with which to continue to buy United States exports; and Japan's relationships with the United States extend beyond that of trade itself, to being our westernmost outpost in the Far East and an ally in whom we place great trust and reliance in any grave emergency; as well as being our showcase of democracy and free enterprise in Asia, etc.

While this legislation in and of itself will not destroy the friendly and helpful relationships with Japan that have been carefully developed over recent years, nevertheless it will not be welcomed by the Japanese and may well prove another irritant to improving relationships in bilateral commerce and mutual security.

We do not believe that this trade restriction on woven labels is worth the possible consequences, both internally and externally. Therefore, we again urge the defeat of H.R. 7043.

AUBURN IMPORTING CORP.,
April 23, 1965.

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

DEAR CONGRESSMAN HARRIS: The enactment of H.R. 7043 would be ruinous to our business and would cause loss of income not only to our industry but to many of our customers in the apparel manufacturing trades.

Our customers will not buy woven labels with the word "Japan" on them. Even if this were to be hidden under a fold, the possibility that the label might come loose from the garment would deter most apparel manufacturers from buying these labels. Furthermore, many labels delivered by us are sewn onto garments in such a way that there is no hidden portion at all. The country of origin would plainly show on the face of the label which would make the label unusable.

In our opinion, the real and actual purpose of H.R. 7043 is to eliminate imported labels as a competitive factor, thereby enriching domestic label manufacturers. However, it must be pointed out that a side effect of this elimination might possibly be the elimination of certain marginal producers from the garment manufacturing business. It is well known that many garment manufacturers are marginal producers. Undercapitalization and reliance on financing other than bank financing which is not available to them make it extremely necessary to cut costs wherever possible. Imported woven labels cost approximately

one half the price of domestic labels. It is entirely possible, moreover, that were imported labels to be eliminated from the market, domestic prices would rise immediately and it is entirely possible that certain marginal garment manufacturers with increasing costs might be forced out of business with further loss of jobs to their employees.

The domestic woven label manufacturers have charged that many apparel manufacturers do not know that they are getting imported woven labels. However, U.S. customs regulations and inspections are so stringent that it is impossible for this to be so. All of our orders carry the notation "Labels Made in Japan" and this is further repeated on the inner and outer cartons in which the labels are delivered. Furthermore, U.S. customs is notified of the name and address of every single manufacturer for whom labels are imported. Customs inspectors regularly check these manufacturers to see that the labels are being delivered in cartons showing the country of origin and that the manufacturers are aware of the country of origin. There is no evidence indicating otherwise in our opinion.

We respectfully request the committee to consider all the ramifications of H.R. 7043 and we urge the committee to vote against enactment.

Very truly yours,

ALAN M. ADES, *President.*

ARAGON WOVEN LABEL CO., INC.,
New York, April 23, 1965.

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

DEAR MR. CHAIRMAN: We wish to go on record as being opposed to the marking of individual labels with country of origin.

We are domestic weavers of labels, having our plant in Brooklyn, N.Y.

If we are required to weave country of origin into labels themselves, we believe that many of our customers will refuse to accept them. As a result we will lose their business, not only for labels we import in toto, as they will turn to the largest American weavers for their domestic labels.

All orders of woven labels from Japan are accompanied by affidavits from the buyers as well as the importers. These affidavits state that the labels are made in Japan to be used on American-made merchandise.

As a small domestic manufacturer, we do not produce a full variety of woven labels, therefore it is necessary to obtain these labels elsewhere in order to fill the complete needs of a customer. These labels which incorporate three- or four-color lettering and/or are of unusual widths are not made available to the small domestic manufacturer by the one or two large woven label manufacturers who produce them. It then becomes necessary to obtain them elsewhere.

The approximate volume of woven labels woven yearly in the United States is $30 million. The f.o.b. value of all woven labels imported from whatever source into the United States in 1963 was only $1,013,004 according to the Bureau of Census of import statistics.

All the above mentioned are open to verification.

We trust that you will give this matter your utmost consideration.

Very truly yours,

SIDNEY FREEDLINE, *President.*

CURTIS COLEMAN CO.,
ANDOVER LABEL CO.,
New York, N.Y., April 23, 1965.

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

DEAR MR. CHAIRMAN: We are writing to you because we are concerned about the proposed bill H.R. 7043, notably its proposed section 3. This section contains a clause that the law would take effect 60 days after the bill's passage. We consider this time limit to be unreasonable and punitive for the following reasons:

1. The manufacturing of labels in Japan is a two-stage operation. First, the labels are woven. Then they are processed by hand. It is this hand processing that consumes most of the production time. It always takes at least 8 weeks

before the labels are ready to be shipped from Japan. Large orders often take 4 to 6 months until they are completed.

2. Sea freight from Japan takes 35 days to arrive in New York, and it then takes 10 days to 2 weeks for the merchandise to pass through customs and to be received by us.

If passed as written, the proposed bill would result in a considerable loss to us, inasmuch as we have issued an irrevocable letter of credit and thus would be obliged to pay for all merchandise under contract.

All our purchasing contracts with Japan are entered into under existing laws. It seems to us that if the proposed bill should be enacted, a time limit of 1 year should be provided to allow for the liquidation of all contracts entered into previously and in good faith.

Very truly yours,

M. COLEMAN.

Mr. MASAOKA. I would like to just give one or two statistical matters relating to some of the questions which have been raised, specifically in connection with the Japanese labels, because approximately 95 percent of all the labels imported into the United States do come from Japan.

On page 11 of our testimony we point out that we understand that American looms are much more efficient than the Japanese looms and that some American looms can weave as many as 72 labels at one time. The best the Japanese can do is only 17 to 19 labels at a time.

The Japanese, as pointed out by previous witnesses, cannot weave as precise as Americans and therefore automatic machines cannot be used. All of this is demonstrated by the fact that according to the Japan Textile Products Exporters Association, 95 percent of all Japanese imports into the United States are in the cut form and only 5 percent or less are in the roll form.

Furthermore, 80 percent of all Japanese imported labels are especially designed brand names, woven only to order. Twenty percent are the small stock labels which you have seen—L–M–S—or something designating size.

On page 12 we point out that imports from all countries to America of woven labels in 1962 amounted to 333,735 pounds, valued at $1,153,288.

In 1963 this dropped to 369,489, valued at $1,103,004.

In 1964 this increased slightly to 420,221 pounds, valued at $1,392,873.

I was curious here to note that in 1964 the imports were 13,514 pounds less than in 1962, yet they were valued at $239,585 more, which suggests that the Japanese are upgrading the quality of their labels.

Japan, as I have said, is a major source producing perhaps 95 percent of our imports. We have heard a lot about costs if this should be on the reverse side or something. These are educated guesses supplied us by the Japanese manufacturers and they say that the cost would be between 6 to 77 percent more depending on the type of label that would be used.

Now, they didn't provide any specific background but I do believe that that suggests that this question of price is a very difficult one.

Now, if I may summarize very quickly, Mr. Chairman, the domestic industry presented a lot of economic facts about the increase in imports and all of that, and the low wages in Japan. We don't think this is particularly relevant. If it is, then it is an escape clause matter that ought to be taken up with either the Tariff Commission or a

matter for the House Ways and Means Committee. This is a problem of marketing and in this connection a label may be technically as they point out, a separate textile item, but it is an unusually special kind of textile item because it has no value in and of itself. It has to be affixed to a particular garment or some other product before it has any value. You just can't go out and sell one label each. It is like a button on a suit or something else. It is an integral part of a garment, and until it is affixed, it has no great value.

Mr. CURTIN. Could I interrupt you there and off the record.

(Discussion off the record.)

Mr. MASAOKA. If you see "Japan" on the underside you think deliberately the manufacturer concealed this identity and the confusion is compounded.

Be that as it may, if there is this kind of widespread deception which has been alleged by the domestic industry, I think this is a serious thing and this subcommittee ought to ask the Customs Bureau of the Treasury Department and the Federal Trade Commission to come forward and provide the actual facts on this situation because the allegations not only impugn deceit to our importers who are also Americans but also laxity in the enforcement of laws which Congress passed. I think this is a very serious matter, Mr. Chairman, and I would certainly recommend that.

This may seem a little impertinent, a little impertinent way in which to end, but if I may in kind of a summary, let me say this, Mr. Chairman. If this information is so important, this matter of country origin, and if it costs so little to put on and if it doesn't impair the labels at all, why then does not the American industry put "Made in U.S." on the reverse of their labels? The very fact that they want country of origin and a foreign country indicates that the facts as presented by us would suggest that there is something more than simple information which the domestic industry wants.

Mr. Chairman, in order to expedite this may I also have permission to file a statement which will cut down this statement to this point within the next 10 days?

Mr. MACDONALD. Permission is granted.

Mr. MASAOKA. Thank you very much. Any questions?

Mr. MACDONALD. I have no questions.

Mr. CURTIN. No questions.

Mr. CLAYSON. Mr. Macdonald, there is one fact that the domestic weavers know about that the gentlemen of the subcommittee don't know about. It is very easy to distinguish a Japanese label from a domestic label. The Japanese label is very stiff and harsh. The reason is that their equipment is not the best and it is necessary to size all the warps with a kind of starch and they don't finish the labels after they take them off the loom. They are cut and folded just as they are. There is no finishing, no calendaring or anything, just as they come off, and as a result they are rather harsh, particularly on labels like the one on the garment in front of you, that flat loose. These things become quite unpleasant to somebody who may be allergic, who doesn't like something scratching the back of their necks unless they have asked for it. So they take the label off, and then they see "Japan" on it.

Mr. CURTIN. Could I ask one question? You speak continually of Japanese labels. I understood that Hong Kong is quite a supplier of these foreign labels, is that correct?

Mr. CLAYSON. Hong Kong is a small supplier and one that I would rather keep away from. Their paperwork is so abominable that I get sick every time I try to do a little business with them. We just don't know what is coming in, when it is coming in, and we run into more trouble with their marking. They don't number the cartons so we know what the devil is in there. Their numbers are small. It is a nuisance to deal with them. I don't intend to do much business with them.

Mr. MASAOKA. Mr. Chairman, may I give you the statistics for the record from the Department of Commerce?

In 1964 the total imports of all woven labels into the United States were valued at $1,392,873. Of this amount $1,364,459 worth came from Japan. Hong Kong is next and their imports into the United State totaled only $19,310. France and all the other countries are much smaller. So this is really a kind of Japanese product.

Mr. MACDONALD. Then you disagree with the testimony that was given here earlier today by Mr. Jacobson, that the Netherlands was the biggest producer of these labels?

Mr. SHUR. He never said that, sir.

Mr. MASAOKA. I think there is some confusion on that. I believe he said Japan.

Mr. MACDONALD. Well, the record will reflect it and there is no point in our disputing it, but as a matter of fact, I said that Japan was first, Hong Kong also was a large supplier, and he advised me by reading from a paper on which the Netherlands was the leading exporter of labels into the United States.

Mr. MASAOKA. I think those were cotton labels only and we are talking of all labels here. The statistics I have are from the Bureau of Census, Department of Commerce, for fiscal 1964 which are the latest figures.

Mr. MACDONALD. I am glad I asked you the question because you are referring to woolen——

Mr. MASAOKA. All kinds of labels.

Mr. MACDONALD. Except cotton.

Mr. MASAOKA. No. Cotton and all are included in this amount.

Mr. CURTIN. Mr. Chairman, could I ask one more question? Do you have the figures on the total of the imports from the Netherlands for that same year?

Mr. MACDONALD. Why don't you supply that for the record?

Mr. MASAOKA. Yes, I will be very happy to.

Mr. SHUR. May I make a closing comment? It is truly a Japanese item. The amounts brought in from any other countries are so negligible and so as not to bore you having to take the time to even consider them, they will be documented and brought forth. But the intent of this bill as I see it is definitely not to give information. It is an insidious attempt I think to throttle our industry. Simply put, they just want us out of business and this is the first step.

Mr. MACDONALD. Thank you very much.

(The following letters were later received from Mr. Masaoka, Mr. Clayson, and Mr. Shur:)

ASSOCIATION ON JAPANESE TEXTILE IMPORTS, INC.,
Washington, D.C. May 7, 1965.

HON. TORBERT H. MACDONALD,
Chairman, Subcommittee on Commerce and Finance, Committee on Interstate and Foreign Commerce, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: At the public hearings before your Subcommittee on Commerce and Finance on April 27, concerning H.R. 7043, a bill to require country of origin identification of imported woven labels, you requested that we provide your subcommittee with the import statistics for woven labels for the year 1964, the latest available.

We are pleased to do so.

As a preliminary, however, we must confess that by inadvertence the import totals to which we testified, and included in our prepared statement, were for woven labels of manmade fibers only, and not for imported woven labels of all fibers. This error on our part may be explained at least in part by the fact that, both in terms of volume (poundage) and of dollars (value), almost all imported woven labels are of manmade fibers, accounting for 420,221 pounds, valued at $1,392,873, to only 6,078 pounds, valued at $45,732, for the other fibers, of the total imports of 426,299 pounds, valued at $1,438,605.

The 1964 data is tabulated from reports of the Bureau of the Census, U.S. Department of Commerce, designated as FT–110 and IM–146 publications. Included are woven labels of manmade fibers, cotton, silk, and others. "Others," we understand, include mixes of various fibers and possibly a little wool.

U.S. imports of woven labels

Country of origin	Pounds	Dollars
Total, all imports	426,299	$1,438,605
Japan	411,468	1,364,697
Netherlands	3,019	29,011
Hong Kong	7,018	25,822
France	1,706	3,759
Belgium	357	3,560
Taiwan (Free China)	727	1,948
Italy	104	1,013
United Kingdom	22	152
Mexico	455	136
Unknown	1,423	8,507

Based on these statistics, woven labels are not a major import item as far as the United States is concerned. But they comprise significant export items for at least such countries as Japan, the Netherlands, and Hong Kong.

Clearly, Japan is by far the major supplier of the U.S. market for imported woven labels, both in volume and in value. Thus, any legislation affecting imported woven labels in actual fact will be directed against Japanese imports.

All Japanese woven label imports are of manmade fibers (411,444 pounds, valued at $1,364,459) and of silk (24 pounds, valued at $238).

All Netherlands woven label imports are of cotton.

Hong Kong imports include those of manmade fibers, cotton, and others.

French and Taiwan imports are of manmade fibers, Belgium of cotton, and Italy of both manmade fibers and cotton.

Canada, West Germany, and Austria, which had minor exports of woven labels to the United States in 1963 had no significant recorded imports last year (1964). It is presumed that any imports, if any, from these and other countries were listed in the "Unknown" category.

During the testimony of the domestic woven label industry spokesmen, it was alleged that since the Bureau of Customs did not require formal entry of shipments valued at $250 and less, and since many, if not most, imports of woven labels are valued at less than $250 per shipment, there were no import statistics to indicate the actual quantity of woven labels entered into this country.

The fact is, as this subcommittee is aware, that even under the informal entry procedures for shipments valued at $250 and less, the Customs Bureau

requires import information. Thus, the FT–110 and IM–146 reports do accurately reflect the actual quantity of imported labels entered in 1964. It is noted, for example, that imports of only $152 from the United Kingdom and only $136 from Mexico were recorded by the Census Bureau from the data supplied by the Customs Bureau.

Since were are discussing statistics, we wish to point out to the subcommittee that nowhere did the domestic industry provide any actual figures as to domestic production of woven labels. Since the Woven Label Manufacturers of the U.S.A. claim to represent "a majority of the 45 companies in the industry," it would appear that the subcommittee and the public would be entitled to at least the information regarding the production of the members of the complaining association, as well as their financial statements.

We suspect that domestic production dwarfs the quantity of imports, and that most, if not all, domestic producers are sharing in the general unprecedented prosperity of the U.S. textile industry.

Incidentally, notwithstanding the claim of the domestic industry that the tariff rates on woven labels have been reduced recently to 19 percent, there has not been any reduction recently in the tariff rates; it has been, and remains, at 30 percent ad valorem, plus 25 cents per pound. The last shift was an increase, not a decrease, from 19 to 30 percent, so increased protection, not a decrease, was provided domestic woven labels.

Pursuant to the permission granted us to submit a rebuttal statement, we have reexamined the transcript of the hearings.

While we confirmed that there is much to be refuted in the submitted statements and testimonies of the domestic woven label industry witnesses, we believe it sufficient to comment on only a few.

The main thrust of the arguments for the enactment of this legislation was that under current practices, the manufacturers and processors who affix woven labels on finished merchandise, mostly apparel, are deceived as to the country of origin of their woven labels.

Indeed, although only one letter was referred to in passing, the domestic industry charged widespread deception and fraud on the part of importers who repackage and rebox woven labels in order to mislead the "ultimate consumer" of these labels, the manufacturers and processors of garments and other items, into believing that these labels are of domestic origin.

We submit that a rereading of the testimony of the witnesses for the importers, particularly Messrs. Monroe Clayson, of Harvard Labels, and Harold Shur, of Cavalier Label Co., both major importers, will demonstrate that this charge is far from what actually takes place. They describe step by step how and what happens after woven labels are ordered from Japan, emphasizing that more than 95 percent of all imported woven labels are "made to order" and that to repackage and to rebox these labels after arrival would be too costly. They also explained that Japanese woven labels seldom are entered on the roll because they are not woven precisely enough to allow cutting and folding by automatic machines. Moreover, they detailed customs regulations and procedures to indicate that the alleged practices could not be widespread and commonplace.

As we emphasized in our prepared statement, which was submitted and accepted for the record, the letter of the Department of the Treasury to the chairman of the committee, dated November 4, 1963, and signed by its General Counsel, comments specifically on this allegation as follows: "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 consumer' as defined above. If a valid case is to be made, it should be made, in the first instance, to the Treasury Department."

No evidence was produced at the hearings to indicate that the domestic industry has accepted this specific invitation on the part of the Treasury Department and submitted proof that there is widespread deception in the sale of imported woven labels.

In the absence of such a complaint, properly documented, we can draw no other conclusion but the obvious from their failure to accept the proferred invitation of the Treasury Department.

As a matter of fact, as our prepared statement points out, we checked informally and unofficially with the Customs Bureau and the Treasury Department regarding any complaints similar to those made before your subcommittee that might have been filed with either of these agencies by the domestic indus-

try. We were informed that in recent years they have received no such complaints.

Furthermore, recognizing that the Federal Trade Commission is charged with the responsibility of preventing unfair trade practices, including such as those charged before your subcommittee, we made an informal inquiry and learned that there have been no recent complaints by the domestic industry against imported woven labels.

In carefully rereading the statement submitted by the attorney for the domestic manufacturers, we noted with interest that the domestic industry has appealed to various Government agencies regarding country-of-origin markings on imported woven labels.

With but one exception, the domestic industry did not complain of deceptive and unfair practices as charged before your subcommittee.

In December 1958, the industry attempted without success to secure an interpretation that woven labels would have to be individually marked with their country of origin. In February 1959, a formal appeal was submitted to the Division of Classification, Entrys, and Value of the Bureau of Customs, arguing against the ruling court case on which the Bureau relied. Also in 1959, a brief was filed with the Federal Trade Commission against a rule promulgating the current regulations relating to imported woven labels. This, too, was unsuccessful.

But all of the above had to do with attempts to secure the requirement for country-of-origin identification on imported woven labels, not with complaints as to fraud and deceit.

The only complaint charging unfair trade practices was filed in September 1960 with a staff member of the Federal Trade Commission. That no formal complaint was lodged, and no cease-and-desist order was issued by the Federal Trade Commission would suggest that even the informal complaint was rejected for insufficient evidence.

Now, if the allegiance of widespread deception and fraud are a current practice, why has not the domestic woven label industry filed complaints within the past 5 years with the appropriate Government agencies for relief?

Mr. Chairman, as we emphasized at the hearings, we believe that the charges of the domestic industry are so serious that both the Customs Bureau and the Federal Trade Commission should be called before your subcommittee to explain whether there is such widespread violations of our fair trade laws by woven label importers.

Either our importers are flagrant lawbreakers and our Government agencies charged with enforcing fair trade practices are criminally lax in their enforcement, or our fellow citizen importers and our administrative departments are being viciously maligned and slandered for the purpose of misinforming the Congress into possibly enacting unwarranted legislation.

We respectfully submit that the public interest requires a full and complete investigation of these charges before your subcommittee is in a position to give consideration to the merits of this bill.

In order to answer criticisms that a country-of-origin marking on the face or front of a woven label would confuse the retail consumer, the domestic industry suggested that the country-of-origin marking might be woven on the turnunder portion or back side of the label. The objective is to try to conceal this information from the retailer purchaser in the hope that confusion as to whether only the label or the entire article or product is a foreign import may be avoided.

In our prepared statement and through importer witnesses, it was demonstrated that this suggestion to turnunder origin markings was unrealistic, impractical, and costly, that it was based on a number of false assumptions.

One such false assumption is that woven labels are more or less uniform as to size, shape, use, and placement. As our witnesses, who are knowledgeable importers actually engaged in the trade, explained, this is simply not true, for there are literally hundreds of different shapes, sizes, uses, and placements for woven labels.

There are some woven labels that are intended to flap and flop. A country-of-origin identification on the back or reverse side would only serve to confuse the retail consumer as to the label and as to the merchandise itself.

There are other labels, such as those on the sleeves of coats and jackets, etc., which are stitched in such a way as to be cut or torn off before being worn. A country-of-origin marking on the back side or on the turnunder portion would be revealed after the label has been removed, thereby suggesting to the suspicious

buyer that a deliberate effort had been made to deceive him, or her, as to the country or origin of the article in question.

There are still other woven labels, such as those specially woven for certain types of sweaters and knit goods, which are stitched on one side only with no place for any country-of-origin markings, for there are no turnunder sections.

If the country-of-origin identification is woven into the reverse or back side, as must be done for most brand name woven labels, the face side will be marred by the threads by which the origin marking is woven unless the size of the turnunder portion is increased.

Another false assumption is that labels, once stitched onto the garment or other finished product, will never come off, thereby keeping the concealed information concealed.

Many labels wash off. Many others wear off. Others are cut or torn off. In all instances, the retailer consumer, once he or she sees the deliberately hidden country-of-origin identification, will probably conclude that the product, and not the label, is of foreign origin, thereby compounding the threatened confusion to the actual final user of the article to which a woven label is affixed as to the country of origin.

Still another false assumption is that the country-of-origin identifications can be woven at infinitely small cost.

In many cases, extra cloth is needed for the country-of-origin marking for an enlarged turnunder section. Greater care will have to be taken in cutting and folding woven labels. And, the manufacturers and processors will have to be more careful in placing and stitching those woven labels in order that the label itself will stay stitched longer and that the origin marking will be carefully concealed. Most of the extra work involved will have to be done by hand, which is an expensive process, especially in the United States.

Domestic industry spokesmen estimated that, on the average, this country-of-origin identification could be woven on the reverse side for about a cent a thousand.

We respectfully suggest that the estimate is completely unrealistic. The Japan Textile Products Exporters' Association, for instance, has estimated for us that the extra cost of weaving the country-of-origin identification onto the woven labels and the cutting and the folding of such woven labels would be from 6 to 77 percent more than the present woven labels without the country-of-origin markings, depending on the type of label and its size.

And this extra cost of weaving does not take into account the greater added cost to the American manufacturer or processor who uses woven labels, for he must now be more careful in stitching, etc., in order to make more certain that the label cannot be detached too easily and that the country-of-origin of the label itself will be carefully concealed.

May we summarize our thoughts on this legislation by enlarging on our concluding remarks at the hearings on April 27?

If this country-of-origin marking is so important, as the domestic industry claims, and if the country-of-origin identification can be added at practically no cost whatsoever, without impairing the label or lessening its appearance, and if this requested origin sign is not intended as a means to curb and restrict the importation of woven labels, why, then, does not the domestic woven label industry itself add "Made in U.S.A." identification to all American-manufactured woven labels.

That the domestic industry refused to take this simple action suggests that its motives may well be other than acknowledged.

And, since its acknowledged motive is to prevent the deception of manufacturers and processors in the use of woven labels as to their actual country of origin, we renew our plea that the interests of justice, fairplay, and equity demand that the Customs Bureau and the Federal Trade Commission be called upon to explain whether there is, as charged before this subcommittee, widespread deception and unfair trade practices by importers regarding the country-of-origin of woven labels. The U.S. Congress, the Government, and the people—all have a right to know the answer to this charge before the bill, H.R. 7043, can be considered, let alone enacted.

Respectfully submitted.

MIKE M. MASAOKA,
Washington Representative.

HARVARD LABELS, INC.,
New York, N.Y.

HON. TORBERT H. MACDONALD,
Chairman, Subcommittee on Interstate and Foreign Commerce, House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: During the hearing on H.R. 7043, the point was constantly stressed by committee members and industry proponents that the sole purpose of the law would be informational to buyers of imported labels. On the record of H.R. 4994 (November 6, 1963), it was logical for the Committee Report 1417 to say: "During the hearings on this legislation, witnesses testified that the practice of repackaging of woven labels, prior to the sale to the garment manufacturer, deceives the manufacturer into believing the labels are of American origin and consequently results in thwarting of the customs laws applicable to all finished products imported into the United States."

On the record of the hearing April 27, 1965, such a statement is no longer possible. The committee was presented with domestic industry charges which were not statements of fact, but mere conjectural statements, never backed by provable examples of deception.

On the contrary, abundant factual proof was presented against the bill by the description of the history of actual orders. It was shown that potential buyers are immediately told they are offered imported labels; that 4 months will elapse before delivery as contrasted with 3 weeks from domestic weavers; that 80 to 90 percent of the cartons of imported labels are shipped direct from the pier to the garment manufacturer, the balance being warehoused subject to call against confirmed orders; that the majority of the labels have specific wording desirable and confined to individual manufacturers.

The representatives of the domestic industry used language calculated (deliberately or carelessly) to mislead the committee into believing that most imported labels arrived here in rolls of 500 or 1,000 pieces and were then repacked into origin-concealing cartons, or in most cases were cut and folded here and packaged to conceal country of origin.

I testified, and my statements are verifiable by customs, that only about 2 percent of my labels arrive on rolls, and then only because my customers want them on rolls. I said that in only one instance were the rolls cut up, but that was after a thermoplastic backing was put on the rolls in New Jersey. Mechanical cutting was impossible because Japanese labels vary too much in length, so it was cut by hand in New York. In every other instance, roll labels were shipped as roll labels in the original containers.

A word should be said of Mr. Chandler's odd technique of saying there are no records kept of certain label imports and their volume is unknowable and then calmly providing a total of the number and even of the value. Truly marvels will never cease while omniscience exists capable of unscrewing the inscrutable.

Proponents have cited alleged applications to many departments of the Government, all of which were turned down. They offer this as somehow proof that their point is valid. The normal reaction would be that if no agency agrees with them, they are like the mother whose son is the only one in step in the parade.

The proponents' unsupported charges of gross violations of law by importers going unpunished are recklessly asserted. If their charges have any verifiable facts to back them (which they don't), they should be presented to the Department of Justice and to Customs. Remedies will certainly be forthcoming, all will believe who have faith in our country.

We have just taken an order for an imported label, a sample of which is attached, which on its face gives the manufacturer's trademark and adds "Made in Italy." You will observe that this label is pinked on the ends. It is intended to be sewn into ladies' hats without any part being folded under. It is utterly ridiculous to require that we weave "Japan" into this label, either on the face which will cause compound confusion, or into the reverse side which will cause an ugly blob of yarn to appear on the face. Please don't allow this kind of thing to become a law here.

This law, intended to inform only, is not needed to inform the manufacturers. It is supported by the American weavers in the hope that employees of the manufacturers will have sufficient prejudice to refuse to sew the labels and thus compel their employers to refuse to buy imported labels.

We respectfully urge that H.R. 7043 be denied favorable consideration.

MONROE C. CLAYSON, *Vice President.*

CAVALIER LABEL CO., INC.,
New York, N.Y., May 4, 1965.

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

DEAR SIR: I wish to thank you for the opportunity you presented to this company to testify in the recent hearings regarding H.R. 7043. This extremely important matter was the first opportunity extended to importers, such as ourselves, to make known our views to you and the committee.

The arguments advanced for country of origin labeling of woven labels were, we believe, misleading, misrepresentative and totally without substantiation, as we hope our testimony pointed out.

The record of our performances will hold up under the closest scrutiny and show itself to be completely in order, following every aspect of the law as it is written.

The ultimate consumer is, and always has been, completely aware of the country of origin of the labels purchased from us. Moreover, the numerous controls, provided by the law, have given all parties concerned complete enlightenment as to the country of origin.

It do not think it necessary to repeat the oral testimony given at the hearing. However, it is my belief that all the testimony given will refute, point by point, the allegations made by the representatives of the domestic label industry. A careful study of the record will support this.

On behalf of my company may I once again say, "Thank you."

Yours very truly,

HAROLD SHUR, *President.*

Mr. MACDONALD. Is Mr. Michael Daniels here?

Mr. DANIELS. Yes, I am.

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

Mr. DANIELS. Mr. Chairman, in view of the lateness of the hour and the fact that previous witnesses opposing this bill have covered most of the points that I intended to make, I will content myself with asking permission to insert my statement in the record.

I represent the United States-Japan Trade Council. The statement covers general economic data on trade between the two countries and our views that this bill, this kind of bill, will disrupt that trade.

Mr. MACDONALD. Without objection your statement will be received.

Mr. DANIELS. Thank you.

May I also associate myself with the remarks of Mr. Masaoka. I think there are two absent parties to this hearing. I refer to the Federal Trade Commission and the Bureau of Customs. There have been serious allegations made as to the practices of both of these agencies. I think that the committee's investigation would be incomplete unless you heard from them and asked them very directly to comment upon the allegations made by the proponents of the bill. I think these are very, very serious charges.

I have reason to believe that they have misrepresented the attitude of these Government agencies which is a serious accusation on my part, and I wish, since my remarks will be in the record, that the committee very seriously undertake this kind of inquiry of the Government departments concerned.

We think that it is quite obvious that clothing manufacturers know where these labels are coming from. If the costs are 20 to 30 percent of the domestic product and clothing manufacturers are among our better businessmen, I am sure they know where they come from.

We don't feel that this is informational legislation. We believe it is protectionist. And I thank you for your kind attention.

Mr. MACDONALD. Thank you.

(The statement of Mr. Daniels follows:)

TESTIMONY OF MICHAEL P. DANIELS ON BEHALF OF THE UNITED STATES-JAPAN TRADE COUNCIL

My name is Michael Daniels. I am legislative counsel of the United States-Japan Trade Council, an organization composed of over 700 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.

I appear before this committee in opposition to the woven label identification bill, H.R. 7043, which requires that imported woven labels must have woven into them the name of the country where woven.

We are opposed to this bill because it represents an unwarranted departure from U.S. law and internationally accepted standards regarding marking. If enacted, this bill would prove costly to U.S. manufacturers and importers. Under the guise of eliminating a deceptive practice, the bill could, in some cases, result in misleading the public. The ultimate consequence would be a hindrance to the free flow of trade and an invitation, albeit unintentioned, to our trading partners to similarly complicate their own marking requirements.

The question of identifying woven labels with the country of origin has been before the Congress and Government agencies for a number of years. In our opinion, the record does not indicate any need for a departure from existing law and practice. Packages of labels are now identified with the country of origin, but the individual labels are excluded from marking.

The industry proponents of the bill have argued that this exclusion is based on the Federal Trade Commission's misinterpretation of the *Gibson-Thompson* case (27 C.C.P.A. 267, 1954) and misunderstanding of the effect on the public of individual markings and on the Bureau of Customs' haste in applying the *Gibson* case. In fact, however, the Federal Trade Commission found the exclusion to be appropriate only after receiving testimony from all interested parties, including the proponents of this bill. The Commission, in opposing the enactment of a similar bill in 1963, reaffirmed its earlier reasoning, apparently still of the opinion that the industry's position was without foundation. Likewise, the Bureau of Customs, after years of practice under the exclusion, said in 1963 that no evidence had been presented to show that the exclusion was inappropriate or had misled the public.

Supporters of this bill assert that imported labels are being sold in the United States without any indication that they are of foreign origin. Yet individual imported labels are excluded from marking requirements only if the collector of customs is satisfied that the labels will reach the ultimate purchaser—in this case the clothing manufacturer—in an unopened package clearly marked with the country of origin. To the best of our knowledge, the domestic label manufacturers have yet to demonstrate to the Bureau of Customs the violation of this requirement.

The whole reason for marking with country of origin is murky and appeals to unstated prejudices or supposed prejudices on the part of consumers. Nevertheless, we are in complete agreement with the supporters of this bill that it would be fraudulent 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.

The domestic label manufacturers assert that importers resell labels in repackaged or individual form. Our industry source is unaware of any such practice and, furthermore, indicates that it is highly improbable. With a roll of 1,000 labels selling for only $3 to $5, it would be too costly to repackage or break down the roll. Nor is there any rhyme or reason for breaking up a package with a specific clothing manufacturer's name on the labels; and labels of this nature constitute the bulk of imports.

In short, we believe that the ultimate purchaser is apprised of the source of the labels. If, however, despite the seeming economic irrationality of it, there are some few importers who are engaging in deceptive marketing practices, this should be brought to the attention of the appropriate agencies. The Federal Trade Commission and the Bureau of Customs are fully empowered under existing law to eliminate any such practices. This would be a much more equitable solution, we believe, than imposing a costly burden on the whole import sector.

We question the domestic industry's assertion that marking of labels can be done at practically no cost and with no impairment of their use or appearance on the turnunder portion of the label. The Japanese, who supply over 90 percent of imported labels, have said the additional cost of this process would necessitate raising their prices to U.S. importers and clothing manufacturers. Moreover, the Japanese producers lack sufficient precision in their label-weaving processes to guarantee that the country can be put on the turnunder portion of the label which is only one-eighth or three-sixteenths of an inch wide. Therefore, the marking often may be wholly or partially visible and thus be unattractive or misleading. Some labels, called size hangers are simply too small for the Japanese to be able to weave the country marking on the label in a place which can be turned under.

In those instances where the country identification was visible, considerable confusion could ensue 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.

Thus it is evident that this bill does not stop at accepted principles regarding deception and misrepresentation but extends into the area of protectionism. We are sure that the subcommittee is aware of the purposes of the Trade Expansion Act of 1962 and of the seriousness the United States attaches to a favorable outcome of the Kennedy round of GATT negotiations now being conducted in Geneva.

Marking requirements, if abused, constitutes a nontariff barrier. The United States is making strenuous efforts to have our trading partners remove such barriers which impede U.S. export trade. The most frustrating impediments to trade are not tariffs. They are other measures, such as internal discriminatory taxation, various quota devices, national preference practices, and marking requirements going beyond identification purposes. The enactment of a woven label marking bill would undoubtedly create problems for our negotiators in their efforts to eliminate foreign nontariff barriers.

With our balance-of-payments difficulties, the United States cannot afford to hamper the continued expansion of its exports. In 1964, U.S. exports amounted to $25.3 billion, whereas imports were $18.6 billion. This $6.7 billion surplus was one of the few bright spots in our balance-of-payments situation and a healthy plus factor for domestic employment. Exports to Japan, our best oversea customer, reached a record high of $1.9 billion in 1964, whereas imports from that country were $1.8 billion. This $130 million export surplus pushed our 10-year cumulative export surplus in trade with Japan to over $2.5 billion.

Moreover, the domestic woven label industry does not seem to be in need of any protection. A spokesman for the domestic industry estimated at the 1963 hearings on this subject that domestic consumption amounted to about $25 million. We understand that this may be a bit high but we can use it as a rough measure of annual consumption. Total imports of woven labels in 1964 amounted to $1.4 million. Imports, therefore, are considerably less than 10 percent of domestic consumption. Another indication of the competitiveness of the domestic industry is that it is exporting labels throughout the free world, and a significant portion of these labels are going to Japan.

We are confident that the Government agencies responsible for administering our labeling laws will again take the position that present laws are fully adequate to carry out the policy purposes underlying labeling requirements. Therefore we respectfully urge that this legislation not be enacted.

Mr. MACDONALD. Mr. Don De Bolt?

Mr. DE BOLT. Yes, Mr. Chairman.

STATEMENT OF DON J. De BOLT, DIRECTOR OF GOVERNMENT AFFAIRS, MENSWEAR RETAILERS OF AMERICA

Mr. DE BOLT. Mr. Chairman, I am Don De Bolt, director of Government relations, Menswear Retailers of America.

The hour is getting very, very late. If you would prefer, I will be glad to ask for permission to introduce the statement into the record and I have just a couple of comments which I think are pertinent.

Mr. MACDONALD. Without objection your statement will be inserted in the record as if read.

Mr. DE BOLT. I very much appreciate Mr. Chandler's kind allusion to our statement. Our statement does specifically state, however, that we do not have a position on the intent of the proposed legislation. We are neither for the bill nor are we against the bill. We merely affirm quite strongly that the language of the bill we feel would be improved if it is favorably considered by this subcommittee and enacted into law if the language specifically states that the country-of-origin disclosure be made someplace on the label where it is not apparent to the retail purchaser in one of our retail stores.

Beyond that, Mr. Chairman, we thank you very much for the opportunity to present our views on this subject.

Mr. MACDONALD. Right. Thank you. Any questions?

Mr. CURTIN. No questions.

Mr. MACDONALD. Thank you very much.

(The prepared statement of Mr. De Bolt follows:)

STATEMENT OF DON J. DEBOLT, MENSWEAR RETAILERS OF AMERICA

Mr. Chairman and members of the subcommittee, Menswear Retailers of America which until this year was known as the National Association of Retail Clothiers & Furnishers, has for 50 years been the national trade association serving independent retailers of men's and boys' apparel. Our membership now numbers 3,000 fine stores in all 50 States. Firms of the type represented by our association today account for nearly $3 billion in sales of the $13 billion American consumers will spend this year on men's and boys' apparel items.

Our organization deeply appreciates the time granted us during these hearings to express a few brief comments on behalf of the retail men's wear industry.

The bulk of the merchandise sold in these stores may be affected by provisions of H.R. 7043 as woven labels are affixed to these products for identification purposes. Many stores, in fact, over the years have developed what is known as private brands which identify the merchandise they sell with their particular store. The store's private label is used in place of what might normally be the manufacturer's own brand or identification on labels affixed to the merchandise.

Menswear Retailers of America has no position on the intent of the proposed legislation which would require a country of origin disclosure on woven labels imported into this country. We are neither for the bill, nor are we against it.

We are, however, concerned with the mechanics of H.R. 7043 in the event it should be favorably reported by this subcommittee and subsequently become law.

It would appear that the intent of this legislation is to create awareness on the part of firms who manufacture products for which they purchase identifying woven labels. An example would be the producer of men's tailored clothing such as suits, sports coats, and overcoats. A country-of-origin disclosure would inform a manufacturer as to whether labels he is using are made in the United States or in another country. Presumably, this would influence his buying decisions when purchasing labels for his garments.

There apparently is no desire to inform the ultimate user of the garment in which this label is used as to the origin of the label itself.

The source of the label would not influence the buying decision of a customer in a retail store—but it could serve to confuse such a customer.

Quite frequently apparel items manufactured in this country are made from fabrics imported from another country. The Federal Trade Commission has recently declared that after November 20, 1965, when a manufacturer of an article wishes to indicate to consumers that the fabric used in the garment is imported—he must disclose on the label the name of the country in which the fabric is made.

The report issued by the Interstate and Foreign Commerce Committee of the 88th Congress on identical legislation did specifically note that a country-of-origin disclosure on woven labels imported into this country, could be made on the underside of the label. When the label is affixed to an apparel item, this disclosure would not be apparent to the purchaser in a retail store.

If, however, a country-of-origin disclosure on imported woven labels is made on the face of the label—visible to purchasers of products in a retail store—substantial confusion arises.

A customer considering the purchase of a suit would note one label that might say "Made in Britain." This would perhaps refer to the fabric. Another label, or conceivably even the same label might read, "Made in the Netherlands." Obviously at this point the customer is torn between whether the garment under consideration was made in either of these two countries, whether the fabric only came from one of these two countries, or whether there is just a grand conspiracy afoot to hopelessly confuse the unsuspecting American consumers.

The possibility of this happening prompts us to recommend to this subcomittee that specific language be included in H.R. 7043 allowing the country-of-origin disclosure to be made on the reverse side of the label—the side not showing after it has been sewn into a garment. It is our hope inclusion of this language in the bill itself will eliminate much of the possible misinterpretation and ensuing confusion that could arise. This recommendation, we believe, is in accord with the congressional intent as expressed by the prior report on similar legislation which we have previously mentioned.

Retailers are continually aware that meaningful and accurate information is important to the consumers as they make their buying decisions. It is the goal of our industry to make available the best possible information through labeling and other means to keep our customers well informed.

We urge that this subcommittee in its deliberations on H.R. 7043 recognize a possible flaw in the bill as presently written and move to correct this through the inclusion of specific language indicating country-of-origin disclosures may be on the underside of imported woven labels.

Thank you very much.

Mr. MACDONALD. Mr. Al Kessler.

STATEMENT OF AL KESSLER, LABELS UNLIMITED, INC.

Mr. KESSLER. Mr. Chairman, my name is Al Kessler. I am from Labels Unlimited. I am an importer.

I have here several letters which I received from my manufacturers who are vitally interested in this bill. We have heard from the importers of woven labels and we have heard from the domestic weavers of woven labels, but strangely enough we haven't heard from the people who are directly involved in this bill.

And as a result, I took the time to contact several of them to tell them of this particular bill that was under advisement to this committee, and I wanted to get their feelings. I shall respectfully submit these five letters here, if I may.

Mr. MACDONALD. Well, who are the letters from? I didn't quite follow you.

Mr. KESSLER. From manufacturers to this committee.

Mr. MACDONALD. Manufacturers of what?

Mr. KESSLER. Of garments.

Mr. MACDONALD. Of garments?

Mr. KESSLER. Yes. And they are the ultimate users of labels and——

Mr. MACDONALD. Just for purposes of the record why don't you—and they will be received—why don't you state from whom each one of the five letters is for purposes of identification.

Mr. KESSLER. There is a letter from Michele of Miami, a letter from King Kole, Inc., a letter from Playboy——

Mr. MACDONALD. Is that the magazine or the——

Mr. KESSLER. No. He would like to be associated with it, though. And Charles of Miami, and a letter from Suntogs.

(The letters referred to follow:)

MICHELE OF MIAMI, INC.,
Miami, Fla., April 2.

SUBCOMMITTEE ON COMMERCE AND FINANCE, COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
House of Representatives, Washington, D.C.

GENTLEMEN: We are opposed to the bill that is coming up on the floor putting "made in Japan" on our labels, for the reason we think the customer will misunderstand and think the garment is made in Japan.

If this bill should go through, we will be unable to purchase Japanese labels in the future.

Sincerely,

JOHN CAROSELLI.

KING KOLE, INC.,
Miami, Fla., April 23, 1965.

CHAIRMAN, SUBCOMMITTEE ON COMMERCE AND FINANCE, COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
House of Representatives, Washington, D.C.

DEAR CHAIRMAN: It has come to our attention that your subcommittee is considering a bill that will require placing "Made in Japan" on all labels manufactured in Japan.

We feel this act to be highly discriminatory against an item that is insignificant in cost in relation to producing a total article of clothing, but, an item that is bought in large volume by manufacturers, that will cost 200 or 300 percent more if produced by an American firm. American firms are several weeks behind in production now.

The placing of "Made in Japan" on every label will give the appearance that the whole garment is made in Japan, not just the label. When an item is made by American manufacturers that compares closely in cost with Japanese manufacturers, our firm has a policy of buying only American-made merchandise. However, for some reason, despite high duty on Japanese labels, American labels are very excessive in cost in relation to the Japanese-made labels.

Your cooperation in not releasing this bill from committee will be greatly appreciated by our firm.

Yours truly,

LARRY MIZRACH, *Purchasing Agent.*

PLAYBOY OF MIAMI,
Miami, Fla., April 22, 1965.

SUBCOMMITTEE OF COMMERCE AND FINANCE,
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
House of Representatives, Washington, D.C.

(Attention of the Chairman)

DEAR SIR: It has been called to my attention that you have under consideration, House bill 7043, whereby it will be mandatory that all imported labels from Japan must have the words "Made in Japan" woven on each and every label.

I feel that this is an unfair bill and will cause undue hardship and unnecessary expense in my business. I cannot purchase these labels as it would give the erroneous impression to the public, that my garment is an imported one.

I urge you to defeat this bill.

Yours very truly,

HAL H. GLIST, *President.*

CHARLES OF MIAMI,
Miami, Fla., April 23, 1965.

CHAIRMAN, SUBCOMMITTEE OF COMMERCE AND FINANCE,
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
House of Representatives, Washington, D.C.

DEAR CHAIRMAN: We learn that you have under consideration bill, H.R. 7045, regarding the addition of the country of origin to imported labels.

Cost of labels from domestic sources is considerably higher than those woven in Japan and since the industry in this country is already fully employed it would create a delay in delivery. There is also the aspect of misunderstanding since

if the words "Made in Japan" were woven on the face of the label the impression would be that the garment was made in that country and not in the United States.

The passage of this bill would, we feel certain, create considerable hardship on the apparel industry and we strongly urge you to insure that this bill is not passed. We are always fully cognizant that the labels are made in Japan and suggest that the marking on the boxes is sufficient identification of the country of origin.

Thanking you for your consideration of the viewpoint of a clothing manufacturer.

Very truly yours,

WILLIAM FRIEDHOFER, *President.*

SUNTOGS OF MIAMI, INC.,
Miami, Fla., April 22, 1965.

Mr. AL KESSLER,
Labels Unlimited, Miami, Fla.

DEAR MR. KESSLER: We understand there is a bill pending in the House of Representatives, H.R. 7043, concerning labels imported from Japan. We wish to go on record as stating that if this bill is passed and the labels are marked "Made in Japan" we can no longer use these labels. We would not put a label such as this on our merchandise.

Very truly yours,

EDWARD FRIEDLAND.

Mr. KESSLER. And at the same time I would like to read a petition which I have drawn up and which I contacted these different manufacturers to get their feeling on it, and it reads as follows. It is dated April 23.

CHAIRMAN, SUBCOMMITTEE OF COMMERCE AND FINANCE,
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
House of Representatives, Washington, D.C.

DEAR CHAIRMAN: It has come to our attention that you have under consideration bill number H.R. 7043 pertaining to adding country of origin to each label.

We, the undersigned, are manufacturers of children's, ladies, and men's apparel in Miami and feel this bill is unfair and unwarranted and can only cause unnecessary additional costs to an already overburdened industry. Passage of this bill would make it impossible for us to purchase any imported labels in the future as it would create an erroneous impression. By weaving "Made in Japan" on the face of the label it would appear as though the garment itself was made in that country instead of the United States.

This act can only benefit the domestic label weaver who is not interested in establishing the country of origin on labels but purely in seeing that this source dries up. The cost of domestic labels is at times more than twice as much as import and most important, if they succeed in forcing us to buy their labels they do not have the production facilities to accommodate all the labels business as they are now on a 7- to 8-week delivery schedule on certain width labels.

We, the undersigned, urge you to consider our position and beg you to see that this bill is not introduced as it is unfair and discriminating against the apparel industry which is one of the major markets in our country.

We are aware that we are purchasing Japanese labels as each individual box is stamped "Made in Japan" and no attempt is being made to keep this information from us. If it is the purpose of this bill to advise that these labels are imported and not made in the United States, then make it mandatory that all invoices are duly marked so and not that each label should so be marked. By this more expedient manner it would make it fraudulent and punishable by law to fail to mention country of origin.

I have here a list of 27 names and if I had a little more time I probably could get maybe a thousand people who would sign this because this bill does affect that many people. It is not localized to maybe 10 importers or 39 weavers. This involves—this encompasses a lot larger area.

I would like to correct another impression.

Mr. MACDONALD. Are you asking to have that inserted in the record?

Mr. KESSLER. Yes. May I? Can I submit that—can I submit this?

Mr. MACDONALD. Yes. From what you have received concerning yourself, but do I take it you represent——

Mr. KESSLER. No.

Mr. MACDONALD. Those 27 signatures?

Mr. KESSLER. I had this letter drawn up and it was signed by 27 manufacturers. This is a petition which they signed.

Mr. MACDONALD. My only point is that I am sure they are manufacturers but as I see the petition there would be nothing to indicate that they are manufacturers except your say-so.

Mr. KESSLER. Well, they have the names. The first one is Playmates of Miami signed by Harold Goreskin.

Another is Howard Horowitz of Miami Casuals, Inc. Kendall of Miami, signed by H. Wall.

These are their signatures. I have the original in my file. If you care to, I can submit the original.

I have here Cappelli, Inc., signed by Mendlo. Mr. Martin signed by Mr. Miller.

Mr. MACDONALD. Let me just ask you this question so you won't have to read the whole thing into the record. Each one of those people that you indicated have signed?

Mr. KESSLER. Yes, sir.

Mr. MACDONALD. You testified they did sign?

Mr. KESSLER. Yes, sir.

Mr. MACDONALD. And that they all represent bona fide manufacturers in the Miami area?

Mr. KESSLER. Yes. I testified to that. I swear to that.

Mr. MACDONALD. I think without objection it can be received.

(The petition referred to, with the signatures, has been placed in the committee files.)

Mr. KESSLER. A very important factor, a great deal of importance was laid to the fact that the label and the word Japan can be woven somewhere on the label. Unfortunately these labels are sewn on and sometimes they do fall off. I venture to say that you gentlemen and this young lady here at one time or another have had a label in your garment and it fell off.

I mean, these labels are sewn on but during the normal course of laundering they do come off.

Now, if they do come off and the retail consumer sees the word Japan on the back of that label, he is not going to think very highly of the store which has sold him that garment.

As for weaving the words "Made in Japan" or even just the one word "Japan" on the back of the label without anything appearing on the face of the label, it would be an impossibility. I am sure the domestic weavers are well aware of this inasmuch as we are speaking of a woven label and not a printed label. In the manufacturing of a woven label threads are used to create the actual lettering. You have only to examine the face of a label, then look at the back of it and you will see the loose threads, all of which create the lettering on the face. By weaving "Japan" on the back of the label, these loose threads would have to appear on the fact of the label, thereby actually marring the face of the label and would look as though the label were damaged.

As far as weaving it on the turnback of the label, not every manufacturer, even though they may buy a cut and folded label, will sew the label at both ends of the fold because there are times that they may elect to sew the label across the top, instead, thereby saving themselves about 12 cents a dozen by eliminating the need to stitch down the label at each fold.

Now, if they do that, the turned back end is exposed. It is true that Mr. Clayson from Harvard brought a garment in, a sweater which you have at your desk. There are a great many of those garments made but there are also a great deal of other garments made, particularly dresses, where the people purchase a cut and folded label and stitch across the top and the flaps are open at both ends.

As far as placing the word "Japan" on a pinked label, first please let me define what a pinked label is. A pinked label has a zig-zag cut at each end with no turnback whatever and enables the manufacturer to stitch the label either across the top or to sandwich it in between two seams at the top or sometimes at the zig-zag end, thereby making it impossible for us to know where to place "Made in Japan" so that it will be concealed from the public to avoid any confusion. Different styles of garments dictate the placement of the label and method of stitching. You can readily see in this type of label it would again be impossible to comply with this stipulation without confusing the public. I would safely say that about 8 percent to 10 percent of woven labels are being used with the pinked finish.

Another point brought out by Mr. Johnson and Mr. Chandler was that when a shipment arrives from Japan, the importer opens the cartons and removes the contents, thereby removing the identity of the country of origin. They also state that the inner boxes are not marked with the origin of the labels, making it a simple process to keep this information from their customers who are the manufacturers. This is ridiculous, as each inner box is clearly marked by either a stamp or a sticker marked "Made in Japan." In the interest of further clarification, I am enclosing herewith the various boxes in which we receive our labels from Japan. These boxes are in turn packed into large containers. You can readily see that each and every box has either a stamp or a sticker plainly marked "Made in Japan." You will also note that these boxes vary in size and shape and the reason for this is that we employ various weavers in Japan who each use their own method of packing. However, in each case, the country of origin is clearly marked. I am also submitting as evidence a package which we received, untampered, and you will note that it is wrapped in cellophane with the country of origin clearly visible.

We receive an average of roughly 5 million labels a month from our various weavers. Is it conceivable that we would disturb such a beautiful package and go to the unnecessary expense of purchasing boxes and employ at least three additional in help to repack the labels, just to omit the country of origin? Can you also conceive the amount of space required to do this? My office has a total square footage of 400 square feet which includes five desks, filing cabinets, and three shipping tables. I stress this point because this appears to be a major argument by the domestic weavers. You can see how impractical it

would be for us to do these things and sell labels at the prices Mr. Johnson of Artistic Weaving Co. claims that we do.

Mr. MACDONALD. Who is the "they" you refer to?

Mr. KESSLER. Cavalier and——

Mr. MACDONALD. You are talking about importers of foreign-labels?

Mr. KESSLER. That is right. I am an importer. Every label——

Mr. MACDONALD. Incidentally, where do you import from?

Mr. KESSLER. I import from Japan but our office is in Miami.

Mr. MACDONALD. From Hong Kong?

Mr. KESSLER. No. I don't import. I imported one order from Hong Kong, 25,000 labels which didn't represent one-thousandth of my business.

Mr. MACDONALD. And do you import any from the Netherlands?

Mr. KESSLER. No.

Mr. MACDONALD. Strictly Japan.

Mr. KESSLER. Strictly Japan because that is the prime No. 1 market. I bring every label into my office.

A recent shipment just about 10 days' ago came in from Japan and they neglected to put "Made in Japan" labels on the inside boxes. Customs opened the outside container, saw that the inside boxes failed to have the sticker "Made in Japan." They impounded this shipment and advised that they could not release the shipment. This was right after the strike. I appealed to these people——

Mr. MACDONALD. What strike?

Mr. KESSLER. The dock strike. I appealed to customs, and believe me, they are not very easy people to get along with because they live by the letter of the law. Unless the domestic weavers know customs men that we don't, we don't get an inch. We don't get this much from them.

I asked them if they would permit us to receive that shipment, I would sign any affidavit that they would require just to let me get the shipment in and ship the goods to my customers. At first the customs agent on the dock refused to release the shipment to me.

I am just trying to show how impossible it is for a shipment to come into this country without the inside boxes being marked "Made in Japan."

Finally, and I will submit to this committee, a statement which I had to sign and submit to Mr. Betts who is a customs inspector of Miami wherein I stated that these labels were intended for customers who are aware that they are Japanese imports. I had to sign a statement that our invoices would be marked "Made in Japan." I had to submit my orders to Mr. Betts, to show him that my customers were aware that these labels were made in Japan.

Now, one thing I fail to see. Mr. Chandler started off telling us how many millions of labels come in from Japan. And then he goes on to say that the purpose of this law is strictly and only a marking law. If the purpose of this law is a marking law, pure and simple, what difference does it make whether $1 worth of labels is brought in or $50 million? None. So you can evidently see that the purpose of this law is again an obstacle for the importer and we have had many of them.

Mr. Chandler goes on to say that the duty is now 19 percent and 25 cents a pound. I wish it were. It was 19 percent. It was as low as 12½ percent. Under pressure it was brought up to 30 percent ad valorem plus 25 cents per pound and it is still this rate. So there again we have had our problems.

One other point I would like to make. A statement was made that a great deal of labels on the roll come into this country. It would be ridiculous to bring a great amount of these labels into this country because we pay 30 cents per thousand to cut and fold in Japan. If we brought this label into this country for the purpose of cutting and folding it, by their own admission it would cost $1.25 per thousand to cut and fold these labels.

Another thing, it is impractical to bring labels into this country on rolls because, as one of our previous speakers mentioned, Japan cannot weave a label to exact measurements in a static length. A processor like J & H requires a tolerance of only 3 millimeters either way. Otherwise he will not cut and fold the label.

I have attempted once to send some labels to a domestic weaver to please cut them because they came in on rolls in error, and he sent the label back to me—a friend of mine, and said they can't cut and fold these.

So who is going to cut and fold these labels once they come in from Japan? I don't know of any domestic weaver who would do it. Mr. Johnson attempts to give you a figure of what it would cost them to place the word Japan on either end. In one breath they tell you that their labels cost $10 and our comparable labels cost $2 and in the next breath they tell you by their own costs it would cost 1 penny extra a thousand. So if it would only cost 1 penny extra a thousand, why are their labels so expensive? It doesn't jibe. I mean the whole thing doesn't make sense.

I respectfully submit, in the interests of the public, that you kindly reconsider this bill and see that it doesn't pass as it would pose a great hardship and would tend to discourage any further importation of labels.

Mr. MACDONALD. Thank you very much.

With that, all the witnesses having been called and heard, I now declare the hearing closed.

(The following material was submitted for inclusion in the record:)

NATIONAL RETAIL MERCHANTS ASSOCIATION,
Washington, D.C., May 3, 1665.

Representative TORBERT H. MACDONALD,
Chairman, Commerce and Finance Subcommitte, House Committee on Interstate and Foreign Commerce, Washington, D.C.

DEAR MR. CHAIRMAN: I wish to convey to you the views of the National Retail Merchants Association on H.R. 7043 now being considered by your subcommittee.

This association numbers in its membership some 14,700 retail stores, employing more than 800,000 people.

In order to properly present our views to you and to the other members of the subcommittee, I think it important to distinguish or separate the avowed purpose of this proposal from the impact it would have upon retailers and their customers.

First, we believe there is adequate machinery within the confines of our Government to cope with any situation where a domestic industry feels it is being damaged by imports.

It seems ironic that at a time when the administration and individual Members of Congress are devoting so much attention to the consumer, through the establishment of a special counsel at the White House and the introduction of legislation urging that the consumer be given more information, that a measure such as this has been introduced.

Listening to your opening remarks at the beginning of the hearings, I realize that your interest in the subject of woven labels is confined to problems arising out of their importation. Our concern is primarily with the problems that would arise from retailers and their relations with their customers.

Retailers have initiated labeling legislation when they felt the consumer required more information. As an example, the National Retail Merchants Association played an important part in the creation and passage of both the Flammable Fabrics Act and the Fiber Products Identification Act. In both instances we felt there was a need for these measures.

I make these observations to assure you that retailers are dedicated to the welfare of the consumer, hence we must oppose H.R. 7043. If this legislation were to be approved, both the retailer and the consumer would be faced with a confusion of labels on garments.

At the present time garments possess a maze of labels and tickets. For instance, if the fabric from which the garment is made is imported, a label showing the country of origin of the fabric appears on the sleeve of the garment. Then there is the manufacturer's label; the retailer's name appears on still another label. Tags reveal the fiber content of the fabric in compliance with Federal Trade Commission regulations, then there is the size tag and also the union tag. Now if we add to the woven label the country of origin, that is, of the label, the consumer will be hopelessly confused.

The consumer would assume first that the fabric was imported, say from England. In this conclusion our customer would be correct. Assuming again that the garment was properly identified as to the maker, the distributor, its fiber content, size, etc., the customer at the point of sale would then observe that the label bore the legend "Made in Belgium." At this point, his or her mind would be completely confused and understandably so.

As we stated earlier, there are adequate facilities available to cope with problems growing out of imported goods, without resorting to the process that would be created by the adoption of H.R. 7043. Moreover, the bill would establish an alarming precedent. Other components of a garment that happened to be imported could be so treated. What about imported buttons, lining material and other components?

We sincerely hope that in the interest of the retailer and his customers, that the Congress will not approve H.R. 7043.

We would appreciate this statement being included in the printed hearings on H.R. 7043.

Respectfully submitted.

JOHN C. HAZEN,
Vice President, Government.

COMMITTEE FOR A NATIONAL TRADE POLICY,
Washington, D.C., April 30, 1965.

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

DEAR MR. CHAIRMAN: We wish to register with your committee our opposition to H.R. 7043, which would require that imported woven labels must have woven into them the name of the country where the label was woven.

Such a requirement would in our view impose a discriminatory cost upon business operations of foreign producers of such labels and consequently on the importation of such labels into the American market. This would occur, not only with respect to such shipments as may be made after the proposed legislation is passed, but also with respect to what must amount to a large supply of labels which have already entered the United States and are now part of our market system.

We feel that the purpose of such a requirement is clearly to impose an additional cost on the imported product in an attempt to provide some assistance to domestic producers of woven labels who contend that imports are causing con-

siderable difficulty. If, as they claim, their real purpose is "information" to protect the clothing manufacturer (who is the ultimate purchaser of the label as a product) against deceptive information that may identify labels as domestic when in fact they have been imported, there are provisions in the Federal Trade Commission Act to deal with allegations of this type. Moreover, if the producers believe they are seriously injured or threatened with serious injury by imports, they have recourse to the Tariff Commission under the Trade Expansion Act.

In any event, problems of this industry, or of any other industry, should be dealt with in a constructive way—that is, in ways that would improve the long-term competitive position of those producers who need help, or which would bring about their successful shift to other lines of production. Restriction of competition, either directly or indirectly, is not consistent with the free enterprise system or the imperatives of U.S. foreign trade policy in general and our leverage in the current trade negotiations in particular; nor does it serve the basic interests of those whose livelihoods are now based on the market success of their particular companies.

Our committee, which is a business-supported organization established in 1953 to develop increasing support for a policy of freer international trade, does not represent any interests concerned with the manufacture, marketing, or any other aspect of the woven label business. Our concern is only with the need for U.S. policies which adequately advance the Nation's interest in expanding international trade. It is within the terms of that objective that we oppose H.R. 7043.

Sincerely yours,

JOHN W. HIGHT, *Executive Director.*

FAWN FASHIONS,
Atlanta, Ga., April 23, 1965.

Re H.R. 7043.

SUBCOMMITTEE ON COMMERCE AND FINANCE,
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,
House of Representatives, Washington, D.C.

GENTLEMEN: We would like to go on record as being in opposition to this bill.

We feel that if adopted it would be grossly misleading to the public and would result in higher prices to the consumer. If the provisions were followed that woven labels made in Japan must be marked "Made in Japan" then it is obvious that the consumer would then think that the garment was made in Japan. We do not think that it is the intention of the Congress to mislead the American consumer. If this type thinking were carried throughout the garment field the next step would be that any garment trimmed with lace imported from France should carry a label stating this. From there we would logically go a provision that would cover buttons, embroideries and all the other trim items that might be used. The expense of adding all these unnecessary tags must inevitably result in the consumer paying more for garments for no purpose.

We definitely feel that passage of this bill would be a disservice to the American consumer and are opposed to it.

Sincerely yours,

L. T. MICHALOVE.

NATIONAL COUNCIL OF AMERICAN IMPORTERS, INC.,
New York, N.Y., April 23, 1965.

HON. TORBERT H. MACDONALD,
Chairman, Subcommittee on Commerce and Finance, Committee on Interstate and Foreign Commerce, House of Representatives, Washington, D.C.

DEAR MR. MACDONALD: Our organization wishes to be recorded in opposition to H.R. 7043 on which your subcommittee is scheduled to hold a public hearing on April 27, 1965; and we respectfully request that this letter be incorporated in the record of the hearing on this bill.

H.R. 7043, which you introduced in the House on April 1, 1965, proposes to amend the Textile Fiber Products Identification Act and the Wool Products Labeling Act of 1939 to require that imported woven labels must have woven into them the name of the country where the label was woven.

On November 4, 1963, we wrote to your committee objecting to H.R. 4994, which contained provisions identical to the present H.R. 7043. Accordingly, we respectfully repeat the objection we raised with respect to the 1963 bill, and that is that a consumer could be misled into thinking that the name of the country woven on the label is the country of origin of the garment to which the label is attached. Thus, although a garment might have been made in the United States, a buyer might think that it was made in Japan, for example, if "Japan" was woven in the garment's label. It is conceivable that the marking requirements in this bill may be of some help to domestic manufacturers of woven labels; but they are just as likely to injure manufacturers of domestic garments by causing confusion about the origin of such garments.

We respectfully submit that, on balance, there is very little to be gained by the enactment of this bill into law. For this reason, we urge your committee to disapprove it.

Respectfully submitted.

GERALD H. O'BRIEN, *Executive Vice President.*

STANDARD EMBROIDERY INC.,
New York, N.Y., April 23, 1965.

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

DEAR SIR: We respectfully request you to convey our reasons for opposing H.R. 806 the labeling bill.

Primarily, inclusion of country of origin may imply that the garment is of foreign importation and manufacture, when actually it is made by American labor with American material.

Our labels are small enough to be unobstrusive and merely indicate name and size. The addition of the foreign country name would be undesirable practically, economically, and artistically.

The manufacturer is now aware of the source of the labels by clear marking on every little package of 500 labels. No deception occurs.

The Bureau of the Budget, the Federal Trade Commission, the Departments of State, Commerce, and Treasury all have gone on record that this bill is unnecessary and undesirable.

In consideration of these and many more reasons stated previously at hearings, we hope this bill will not be enacted into law.

Respectfully yours,

WM. M. CANTOR, *President.*

PORTLAND, OREG., *April 27, 1965.*

CHAIRMAN, SUBCOMMITTEE OF COMMERCE AND FINANCE,
House Committee on Interstate and Foreign Commerce, House of Representatives,
Washington, D.C.:

Proposal to amend Textile Fiber Products Identification Act and Wool Products Labeling Act of 1939 to require that imported woven labels must have woven into them the name of the country of origin. Objecting to this measure because it might be interpreted that garment is made outside the United States and not the label. Label manufacturers in United States are not competitive to manufacturers in Japan and Hong Kong. Urging you strongly to support our stand and not change requirements of woven labels.

L. L. RENNETT, *Whitestag Manufacturing Co.*

STATEMENT OF NARROW FABRICS INSTITUTE, INC.

The Narrow Fabrics Institute is a trade association representing leading manufacturers of woven nonelastic narrow fabrics used in a wide range of applications, including military, commerical, and consumer products. As such, we wish to go on record in support of H.R. 7043 which would require that imported woven labels of textile or wool have woven into them the name of the country in which they were manufactured.

In addition, we strongly recommend that H.R. 7043 be expanded to require that all imported textile narrow fabric products, including tapes, bindings, ribbons, etc., be marked in some adequate manner to indicate the country in which they were manufactured.

There is increasing evidence that imported tape is being offered as American goods, and further, that such tape is being offered at from $1 to $2 below the cost at which it can be made in the United States, even after payment of the import duty and after passing from the importer through several jobber levels. As you can appreciate, this kind of foreign competition is causing injury to many plants and is contributing to the unemployment problem in this country.

Your consideration of the needs of American manufacturers of woven labels and other narrow fabric products will be very much appreciated.

(Whereupon, at 5:25 p.m., the subcommittee was adjourned.)

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