

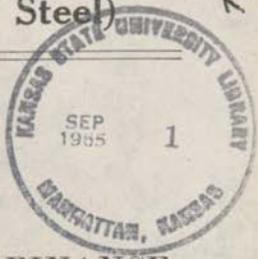
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# 89-8 STEEL CONTAINER MARKING (To Indicate Country of Origin of Steel)

GOVERNMENT  
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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. 6182, H.R. 6647, H.R. 6775**

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

APRIL 28, 1965

Printed for the use of the  
Committee on Interstate and Foreign Commerce

**Serial No. 89-8**



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## STEEL CONTAINER MARKING (To Indicate Country of Origin of Steel)

WEDNESDAY, APRIL 28, 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 10 a.m., in room 2218, Rayburn House Office Building, Hon. Torbert H. Macdonald (chairman of the subcommittee) presiding.

Mr. MACDONALD. The hearing will come to order. This morning, the Subcommittee on Commerce and Finance is holding hearings on three bills, all of which deal with the same subject and are substantially identical. The bills are H.R. 6775 by our colleague on this subcommittee, Mr. Curtin, H.R. 6182 by our colleague on the full committee, Mr. Staggers, of West Virginia, and H.R. 6647 by Mr. Rogers of Texas. The purpose of the bills is to prohibit introduction into interstate commerce of any shipping containers manufactured in the United States from imported steel unless the container is marked so as to identify the country of origin of the steel used in the container.

(H.R. 6182, H.R. 6647, and H.R. 6775, and reports on H.R. 6775 follow:)

[H.R. 6182, 89th Cong., 1st sess.]

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

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That this Act may be cited as the "Steel Shipping Container Identification Act".

### DEFINITIONS

SEC. 2. As used in this Act—

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

(b) The term "commerce" means commerce among the several States or with foreign nations, or between two points in the same State but through any point outside thereof, or in any possession of the United States or in the District of Columbia, or between any such possession and another, or between any such possession and any State or foreign nation, or between the District of Columbia and any State, possession of the United States, or foreign nation.

(c) The term "State" includes the Commonwealth of Puerto Rico.

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

(e) The term "shipping container" shall mean all steel drums and pails used for shipping products as defined by the Department of Commerce.

(1) Drum: Any single wall cylindrical or bilged container having a capacity of over 12 gallons to 110 gallons, inclusive, constructed of steel sheet and inclusive of all gages.

(2) Pail: Any steel shipping package with or without bail and handle having a capacity of 1 gallon to 12 gallons, inclusive, constructed of steel sheet 29 gage or heavier.

## MARKETING OF STEEL SHIPPING CONTAINERS

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

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

## RECORDS

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

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

## ENFORCEMENT

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

(b) The Commission shall prevent any person from violating the provisions of this Act in the same manner, by the same means, and with the same jurisdiction, powers, and duties as though all applicable terms and provisions of the Federal Trade Commission Act were incorporated into and made a part of this Act: and any such person violating the provisions of this Act shall be subject to the penalties and entitled to the privileges and immunities provided in the Federal Trade Commission Act as though the applicable terms and provisions of such Act were incorporated into and made a part of this Act.

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

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

## CRIMINAL PENALTY

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

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

## APPLICATION OF OTHER LAWS

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

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

[H.R. 6647, 89th Cong., 1st sess.]

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

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Steel Shipping Container Identification Act".*

#### DEFINITIONS

SEC. 2. As used in this Act—

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

(b) The term "commerce" means commerce among the several States or with foreign nations, or between two points in the same State but through any point outside thereof, or in any possession of the United States or in the District of Columbia, or between any such possession and another, or between any such possession and any State or foreign nation, or between the District of Columbia and any State, possession of the United States, or foreign nation.

(c) The term "State" includes the Commonwealth of Puerto Rico.

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

(e) The term "shipping container" shall mean all steel drums and pails used for shipping products as defined by the Department of Commerce:

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

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

#### MARKING OF STEEL SHIPPING CONTAINERS

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

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

#### RECORDS

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

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

#### ENFORCEMENT

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

(b) The Commission shall prevent any person from violating the provisions of this Act in the same manner, by the same means, and with the same jurisdiction, powers, and duties as though all applicable terms and provisions of the Federal Trade Commission Act were incorporated into and made a part of this Act; and any such person violating the provisions of this Act shall be subject to

the penalties and entitled to the privileges and immunities provided in the Federal Trade Commission Act as though the applicable terms and provisions of such Act were incorporated into and made a part of this Act.

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

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

#### CRIMINAL PENALTY

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

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

#### APPLICATION OF OTHER LAWS

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

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

[H.R. 6775, 89th Cong., 1st sess.]

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

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That this Act may be cited as the "Steel Shipping Container Identification Act".

#### DEFINITIONS

SEC. 2. AS used in this Act—

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

(b) The term "commerce" means commerce among the several States or with foreign nations, or between two points in the same State but through any point outside thereof, or in any possession of the United States or in the District of Columbia, or between any such possession and another, or between any such possession and any State or foreign nation, or between the District of Columbia and any State, possession of the United States, or foreign nation.

(c) The term "State" includes the Commonwealth of Puerto Rico.

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

(e) The term "shipping container" shall mean all steel drums and pails used for shipping products as defined by the Department of Commerce:

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

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

#### MARKING OF STEEL SHIPPING CONTAINERS

SEC. 3. (a) It shall be unlawful and shall be an unfair method of competition and an unfair and deceptive act or practice in commerce under the Federal Trade Commission Act for any manufacturer of steel shipping containers to introduce any such container into commerce whenever such container is manufactured in the United States in whole or in chief value from steel made outside the United States, unless such container bears embossed on the top head of the container in letters not less than one-fourth of an inch in height the legend "Steel in this container made in \_\_\_\_\_"; with the blank space

being filled with the name of the foreign country in which such steel was made.

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

#### RECORDS

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

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

#### ENFORCEMENT

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

(b) The Commission shall prevent any person from violating the provisions of this Act in the same manner, by the same means, and with the same jurisdiction, powers, and duties as though all applicable terms and provisions of the Federal Trade Commission Act were incorporated into and made a part of this Act; and any such person violating the provisions of this Act shall be subject to the penalties and entitled to the privileges and immunities provided in the Federal Trade Commission Act as though the applicable terms and provisions of such Act were incorporated into and made a part of this Act.

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

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

#### CRIMINAL PENALTY

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

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

#### APPLICATION OF OTHER LAWS

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

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

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 reply to your request for the views of this Department with respect to H.R. 6775, a bill to prohibit the introduction into interstate commerce of any shipping container manufactured in the United States from imported steel unless the container is marked so as to indicate the country of origin of the steel.

If enacted, this bill would require steel shipping containers manufactured in the United States from imported steel, to be stamped with the country of origin of the steel. The term "shipping container" would mean all steel drums and pails used for shipping products "as defined by the Department of Commerce." Every manufacturer of such containers would be required to maintain proper records showing the origin of the steel used in all the steel shipping containers made by him.

The Federal Trade Commission would be empowered to enforce the Act and to impose the appropriate penalties for its violation. Provision is made for the willful or deceptive alteration of any mark of origin placed on a steel shipping container.

Insofar as the marks of origin requirement on imported articles is concerned, and except for the deceptive marking practices covered by the Federal Trade Commission Act, the basic policy of the United States is embodied in section 304 of the Tariff Act of 1930, as amended. Under this law each imported article produced abroad, and not otherwise specifically exempted from marking requirements, must be legibly marked in a conspicuous place in a manner that will indicate to an ultimate purchaser in the United States the English name of the country of origin of the article.

Congress intended, and customs court decisions affirm, that the country of origin marking requirement apply only to imported articles which do not lose their identity before reaching the ultimate purchaser. This Department supports the present practice under section 304 which does not require that imported materials which lose their identity in a product manufactured in the United States be identified in the finished domestic product. To do so would create a discrimination against the imported materials inasmuch as the burden of marking would tend to deter U.S. manufacturers from using imported materials and would thereby institute a nontariff barrier. In the same manner the marking requirement would discriminate against some domestic products on the basis of the origin of the materials incorporated therein.

The net effect of excessive marking or labeling requirements directed against imported products is to either limit their availability or to increase their cost. This in turn increases the cost of supplies and materials to American manufacturers and thereby renders them less able to compete with imported finished products both in the domestic and foreign markets.

Although H.R. 6775 does not specifically amend the Tariff Act of 1930, its enactment would create three undesirable effects in terms of the 1930 act. First, the bill has the indirect effect of redefining "ultimate purchaser" by requiring notification of country of origin, not on the article in the form in which it is imported, but on the product after it has undergone substantial transformation by manufacture or processing by U.S. industries.

Secondly, H.R. 6775 shifts the burden of responsibility for marks of origin to all of the manufacturers, processors, or others who handle the import prior to its final use and sale.

Thirdly, H.R. 6775 constitutes special legislation since it requires manufacturers of steel shipping containers to comply with the marking and recordkeeping requirements but permits other manufacturers to incorporate imported materials into their products without submitting to such administrative burdens.

Under the existing requirements of section 304 of the Tariff Act of 1930, shipping containers manufactured outside the United States, like other finished products, must be marked with the country of origin.

The Department believes that it is not desirable to exceed the scope or intent of section 304, as provided for in H.R. 6775, since to do so would place unwarranted administrative and cost burdens on U.S. handlers and consumers of imported materials with no commensurate benefits to the final consumers of the product into which the imported materials have been incorporated. The Department is of the opinion that the Congress in enacting section 304 carefully balanced the need to inform the ultimate purchaser as to the country of origin of the imported article in the form in which it is imported against the burden that attaches to marking, as represented by the exemptions to section 304 which recognize that not all products can be marketed in the normal manner.

For these reasons, the Department of Commerce opposes the enactment of H.R. 6775.

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.*

FEDERAL TRADE COMMISSION,  
Washington, D.C., May 12, 1965.

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

DEAR MR. CHAIRMAN: This is in reply to your letter of April 1, 1965, requesting the Federal Trade Commission to comment on H.R. 6775, 89th Congress, 1st session, a bill "To prohibit the introduction into interstate commerce of any shipping container manufactured in the United States from imported steel unless the container is marked so as to indicate the country of origin of the steel."

The subject bill is identical with H.R. 1671, 89th Congress, 1st session, on which the Commission submitted a report to your committee on March 26, 1965.

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

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

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

The Commission is of the view that existing provisions of law, as construed and applied by the Commission and the courts, are adequate to protect consumers against any material deceptions arising from failure to disclose adequately the place of origin of imported merchandise or parts or components thereof and, consequently, adequate to protect American producers as well.

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

By direction of the Commission.

PAUL RAND DIXON, *Chairman.*

N.B.—Pursuant to regulations, this report was submitted to the Bureau of the Budget on May 5, 1965, and on May 11, 1965, the Bureau of the Budget advised that there is no objection to the submission of this report from the standpoint of the administration's program.

JOSEPH W. SHEA, *Secretary.*

DEPARTMENT OF STATE,  
Washington, April 5, 1965.

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

DEAR MR. CHAIRMAN: Thank you for your letter of April 1, 1965, enclosing for the comment of the Department of State copies of H.R. 6775, a bill "To prohibit the introduction into interstate commerce of any shipping container manufactured in the United States from imported steel unless the container is marked so as to indicate the country of origin of the steel."

The Department has today submitted to you its views and recommendations on a similar bill, H.R. 1671. These views are equally applicable to H.R. 6775 and for the reasons outlined in that report, the Department of State is opposed to the enactment of H.R. 6775.

Sincerely yours,

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

## STEEL CONTAINER MARKING

THE GENERAL COUNSEL OF THE TREASURY,  
Washington, D.C., April 23, 1965.

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

DEAR MR. CHAIRMAN: Reference is made to your request for the views of this Department on H.R. 6775, "To prohibit the introduction into interstate commerce of any shipping container manufactured in the United States from imported steel unless the container is marked so as to indicate the country of origin of the steel."

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

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

Imported articles which are used by manufacturers in the United States in the manufacture of new or different articles are expected from marking under the customs laws, if imported under circumstances which will assure that the manufacturer is aware of the country of origin of the imported materials, and there is no requirement under the customs laws that the new articles be marked to indicate the foreign origin of the material from which they are produced. To require that shipping containers manufactured in the United States from imported steel be marked to indicate the country of origin of the steel would thus appear to discriminate against manufacturers of shipping containers who use imported steel.

The Department would be opposed to the passage of H.R. 6775. The bill is apparently designed to discourage the purchase of containers made from imported steel. It is our opinion that this would constitute a trade barrier of the kind inconsistent with the administration's policy of trade expansion and would hinder efforts to secure relief for U.S. exports from foreign nontariff trade barriers. Further, it is believed that special legislation is unnecessary in that relief in the form of trade restrictions and adjustment assistance is available to a distressed domestic industry under the Trade Expansion Act.

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

Sincerely yours,

FRED B. SMITH,  
Acting General Counsel.

U.S. DEPARTMENT OF JUSTICE,  
OFFICE OF THE DEPUTY ATTORNEY GENERAL,  
Washington, D.C., May 7, 1965.

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

DEAR MR. CHAIRMAN: This is in response to your requests for the views of the Department of Justice on H.R. 1671 and H.R. 6775 "To prohibit the introduction into interstate commerce of any shipping container manufactured in the United States from imported steel unless the container is marked so as to indicate the country of origin of the steel."

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

Section 304 of the Tariff Act of 1930 (19 U.S.C. 1304) imposes the duty of marking every ready-to-sell article of foreign origin imported into the United States in such manner as to indicate to an ultimate purchaser in the United States the English name of the country of origin. In addition, there are laws requiring that a part of an imported article or domestic article be marked to inform the consumer of quality. (See, for example, Public Law 87-354, approved October 4, 1961, an act "to facilitate the protection of consumers of articles of merchandise composed in whole or in part of gold or silver from fraudulent misrepresentation concerning the quality thereof, and for other purposes.") However, we are aware of no provision of existing law which prescribes the marking, as would be required by these bills, of an article manufactured in the United States from imported material. In doing so, the bills would place upon the manufacturers of certain steel containers the burden and expense of marking the containers and keeping books under pain of criminal penalties while the manufacturers of other containers and other products made from imported material would not be so burdened. This amounts to a different treatment without persuasive distinctive features.

Although we followed the hearings and read the favorable report of your committee and the debates in the House on identical bills in the 88th Congress, we feel that this is unwise legislation. If it should be enacted, every industry which meets severe price competition from abroad would be entitled to the same foreign product labeling for the purpose of curtailing foreign competition. The burden on the fabricator and the packager would be multiplied. This would also appear inconsistent with present U.S. policy to remove barriers to foreign trade, expressed for example, in the Trade Expansion Act of 1962. Accordingly, we are unable to recommend enactment of this legislation.

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

Sincerely,

RAMSEY CLARK,  
*Deputy Attorney General.*

Mr. MACDONALD. Similar legislation, H.R. 5662, H.R. 5673, and H.R. 5675 was introduced during the preceding Congress. Hearings on these bills were held by this subcommittee on November 6, 1963, and the committee on July 9, 1964, reported favorably on H.R. 5673 (H. Rept. 1552).

The House of Representatives passed this bill on August 12, 1964. No action, however, was taken on this legislation by the other body and, therefore, it died with the adjournment of the last Congress.

I think it only fitting that the first witness this morning will be our distinguished colleague on the subcommittee who has worked so long and hard on this subject matter. I am happy to recognize Congressman Curtin, of Pennsylvania.

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

Mr. CURTIN. Thank you, Mr. Chairman. Mr. Chairman, I have a statement on this particular piece of legislation which, as you said, is one of three bills. My bill is H.R. 6775.

May I ask at this time leave to introduce the statement and have it made a part of the record?

Mr. MACDONALD. Without objection, it is so ordered.

(The full, prepared statement of Mr. Curtin follows.)

#### STATEMENT OF HON. WILLARD S. CURTIN ON THE THREE COMPANION BILLS— H.R. 6775, H.R. 6182, AND H.R. 6647

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

As you know, H.R. 6775, introduced by myself, is one of three similar bills. Bills have also been introduced by two other members of this important committee; the Honorable Harley O. Staggers has introduced H.R. 6182, and the Honorable Walter Rogers of Texas has introduced H.R. 6647. As mentioned above, all of these bills are on this subject of labeling of steel containers.

H.R. 6775 was introduced for two basic purposes: First, to promote the continued use of domestic steel to the end that American industry and labor will not suffer the loss of dollars and man-hours caused by the use of foreign steel in the fabrication of steel drums and pails. Second, to assist the manufacturers of steel drums and pails in continuing to use domestic steel and to alleviate the demoralizing price dilemma posed by users of foreign steel, who may undersell the user of American steel without having to disclose that the price differential is not due to superior technology and know-how—but simply due to his using foreign steel in drums and pails to be sold to domestic purchasers.

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

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

The act would authorize the Federal Trade Commission to enforce the marking requirements—the failure to comply with the act would be an unfair trade practice. The Federal Trade Commission is particularly suited for the administration and enforcement of this act because it is generally similar to other labeling acts under its authority. In addition, since the marking will take place after the containers have been fabricated from the imported steel, the FTC, with its nationwide network of offices, is best suited at present to enforce such an act.

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

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

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

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

Mr. CURTIN. I merely want to say in addition to the statement that, as you have just said, this legislation, as represented by the bill introduced by Mr. Kenneth Roberts of the last Congress, passed the House of Representatives, but did not proceed any further through the Congress and this is a reintroduction of that legislation, with some modification.

With that, sir, I conclude my statement.

Mr. MACDONALD. Thank you, Mr. Curtin.

Mr. ROGERS, do you have a statement to make?

#### STATEMENT OF HON. WALTER ROGERS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. ROGERS of Texas. Mr. Chairman, and Mr. Curtin, first let me say this, that I would add my ditto to the remarks of Mr. Curtin on this subcommittee, but I think that attention should be called to the fact that although this might appear to some to be an attempt to interfere

with world trade, actually I was not prompted in doing this for that reason, nor I am sure was Mr. Curtin prompted by that. The situation is simply this. It is very similar to the problem we have been faced with in many other products in this country and not only manufactured products, but in some of the products that are processed from agriculture and I have in mind especially the sugar situation.

I realize, of course, that we have to have foreign trade and we must work with these foreign nations. This bill does not prevent foreign trade. It does not put any halter on foreign trade. It simply outlines the situation where the American people have the right to make a choice and I think it is necessary. I think it is fair. I think that it ought to be given consideration in view of the difficulties that have been experienced not only in the situation that we faced with the steelmills, but all of the facets of that industry, including labor and all of the other associated industries that are dependent upon it.

I would hope that the subcommittee would find the facts in favor of the bill and report it out favorably.

MR. MACDONALD. It is a great pleasure to have you here, Mr. Rogers. It is also a great pleasure for me to be on the same side with you on a measure such as this.

MR. ROGERS of Texas. May I say that I want to compliment the chairman. He is a very distinguished gentleman and certainly has a wonderful new room to meet in. I hope that I may use this room also.

MR. MACDONALD. Thank you, sir.

MR. CURTIN. Mr. Chairman, I would just like to say that I am, of course, delighted that Mr. Rogers feels the same as I do about this legislation and I could not have anyone associated with me that I would be more pleased to have than Mr. Rogers.

MR. ROGERS of Texas. I thank the gentleman from Pennsylvania.

MR. MACDONALD. Thank you, Mr. Rogers.

The next witness is the Honorable Dan Rostenkowski, from the Eighth District of Illinois. Mr. Rostenkowski, we will be glad to hear you at this time.

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

MR. ROSTENKOWSKI. I appreciate the opportunity of appearing before the subcommittee today in support of H.R. 6182, H.R. 6647, and H.R. 6775 which have been introduced by my colleagues, Mr. Staggers, Mr. Rogers, and Mr. Curtin.

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

This proposed legislation has two main goals; namely, (1) to allow purchasers of steel shipping containers to know when foreign steel is used in the manufacture of these containers, and (2) to promote the use of steel produced in this country.

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

For many years after World War II, the United States enjoyed an excess of exports of steel products over the value of steel products imported into this country. This favorable position of our domestic steel industry has deteriorated as imports have increased at an accelerating rate—by 13 percent in 1963, 18 percent in 1964, and an estimated 15 percent for 1965. Indeed, according to figures set forth in the Wall Street Journal, on April 20, 1965, foreign steel imports in 1964 amounted to \$750 million as against \$600 million of American steel exports, thus contributing \$150 million to the balance-of-payments deficit.

This unpromising imbalance in our steel exports and imports is not at all likely to improve—indeed, if the past few years show anything, they demonstrate an increasingly serious trend away from use of domestic steel to foreign steel with the consequent loss of jobs for our working people.

According to information supplied to me, the steel shipping container industry consumes about 1 million tons of steel a year. Because of the cheaper foreign steel, manufacturers of steel shipping containers who use foreign steel enjoy an important economic advantage over the manufacturers who use American steel. Moreover, due to intense competition within the industry and the fact that the design and material content of the products of this industry are generally uniform, this competitive advantage cannot be recouped by the users of American steel.

In my opinion, the Steel Shipping Container Identification Act affords a reasonable and important incentive for the manufacturer of steel shipping containers who desires to continue to use domestic steel. This act simply requires that manufacturers of steel shipping containers from foreign steel mark the origin of the steel on the container. It does not raise tariffs, or exclude or limit the importation of foreign steel in any way.

The act would authorize the Federal Trade Commission to enforce the marking requirements—the failure to comply with the act would be an unfair trade practice. The Federal Trade Commission is particularly suited for the administration and enforcement of this act because it is generally similar to other labeling acts under its authority. In addition, since the marking will take place after the containers have been fabricated from the imported steel, the FTC, with its nationwide network of offices, is best suited at present to enforce such an act.

In conclusion, I support the Steel Shipping Container Identification Act because I believe that it will promote the continued use of domestic steel with the consequent benefits to American business and labor and to our economy as a whole.

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

Mr. ROSTENKOWSKI. Thank you, Mr. Chairman.

Mr. MACDONALD. The next witness is our colleague on the full committee, the Honorable Harley O. Staggers. Mr. Staggers, we will be glad to hear your testimony.

**STATEMENT OF HON. HARLEY O. STAGGERS, A REPRESENTATIVE  
IN CONGRESS FROM THE STATE OF WEST VIRGINIA**

Mr. STAGGERS. I strongly urge favorable action on this bill. Its purpose is plain and unequivocal enough. It is designed to give purchasers of a given product, namely, steel containers, exact information on what they are buying. The general quality of steel from various sources varies considerably. Its source is a strong indication of its quality. Otherwise, quality is not easily determined by casual inspection. Steel from some foreign sources is recognized as high-quality steel. When imported into this country it sells at higher prices than domestic steel, and is deliberately chosen by some users because of its quality and in spite of its price. Such steel is clearly identified as to its source in order to take advantage of its presumed quality. On the other hand, steel from other foreign sources does not enjoy a reputation for quality. For a number of reasons, it sells in this country at a lower price than domestic steel. Without an identifying mark, the purchaser cannot distinguish this steel from domestic steel. He is entitled to know the source of the steel. If he wishes to use it, he may be entitled to a price concession. In any event, he should not be deluded by the understanding, express or implied, that he is being sold domestic steel. There is no reason whatsoever why the importation and use of foreign steel should be reduced by this act, unless purchasers are being led to believe that they are being supplied domestic steel when in fact they are sold cheaper foreign steel. The law presently requires manufactured articles imported from foreign countries to be clearly marked as to country of origin. Sheet steel is a commodity whose character is not changed when cut into pieces and shaped into useful products, that is, containers. Its quality is inherent in the sheet steel. It should be identified as to country of origin.

Mr. MACDONALD. Are there any questions? If not, we appreciate your appearance, Mr. Stagers.

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

Mr. MACDONALD. Our next witness is the distinguished Senator from Indiana, the Honorable Vance Hartke. Senator, we welcome you to the subcommittee.

**STATEMENT OF HON. VANCE HARTKE, A U.S. SENATOR FROM THE  
STATE OF INDIANA**

Senator HARTKE. Mr. Chairman, I am pleased to have the opportunity of supporting before your committee the bills introduced by Congressmen Curtin, Stagers, and Rogers, which would require the marking of shipping containers made of imported steel, in order to show the country of the steel's origin. I am the author of a companion bill in the Senate, S. 1634, in which Senators Bennett, Dominick, Lausche, Moss, Randolph, and Scott have joined me as co-sponsors. I was also the author of an almost identical bill, S. 1342, in the 88th Congress.

However, since the introduction of my bill, it has come to my attention that there is another important area of international trade which poses for our domestic manufacturers the same problem. That is the area of consumer electronic products, many components of which are now being imported and incorporated, without marking of the finished

product, in radio, television, phonograph, sound recording, and related end products. Consequently, while continuing to support the labeling of steel shipping containers, I am introducing in the Senate an amendment in the nature of a substitute to my own bill, bearing the new title "Foreign Components Identification Act." I submit herewith a copy of the expanded bill for your information, and ask that if possible it will be received as an appendix to my statement.

I do so in order that I may call to the attention of this committee, although the bills before you are confined to steel container labeling, to the fact that the electronics industry faces the same problem and is similarly affected by the lack of a labeling requirement for imported components. Thus, many products of that industry today appear on the market as domestically manufactured, even though the major portion of the components come from abroad. While such a bill as my amendment, designed to correct this situation as well as that in steel containers, is not presently before you, I hope you will keep this problem also in mind and that you may have opportunity at a future time to give it consideration.

As to the bills now before you, I believe such action as is proposed is needed. The container manufacturing industry is exceeded only by the auto manufacturing industry in its use of sheet steel. For a number of years it has been severely depressed, operating substantially below full capacity. Profit margins are at a minimum and price competition is severe. Companies using foreign steel in container manufacture enjoy a significant cost differential.

Importation of steel sheets in 1961 was 57,900 tons, but in the next year it tripled, to 172,900 tons. Again in 1963 the figure tripled, to 527,400 tons, and that amount was doubled in 1964.

The bills before you, and this is true also of my revision to include electronic components, does not propose to bar nor limit imports. It does not call for new tariffs. It merely makes possible knowledge by the ultimate customer of the source of foreign materials used in what otherwise appears as an American-made product. While marking of the country of origin is required on the components themselves, the information becomes lost in the process of manufacture. Thus, the steel drum or grease pail becomes indistinguishable from that produced of domestic sheet steel, and the television set whose components are to a large extent imported bears only an American label.

You know, of course, that the marking of steel containers as proposed here is supported by the Steel Shipping Container Institute, by the United Steelworkers of America, and by others. Its passage will have a beneficial effect upon our domestic steel industry, at the same time tending to improve our balance-of-trade and balance-of-payments position.

Mr. Chairman, I trust that your committee in its wisdom will again favorably report this measure, and that the House of Representatives will once more secure its passage, as it did on August 12, 1964. I further trust that when you have the opportunity to consider the same kind of legislation as applied to the electronics industry, that for the same cogent reasons you will find similar provisions desirable there.

Mr. MACDONALD. Senator, we thank you for your appearance and testimony.

Senator HARTKE. Thank you, Mr. Chairman.

Mr. MACDONALD. Our next witness is Mr. Robert L. McNeill, Deputy Assistant Secretary for Trade Policy, U.S. Department of Commerce.

**STATEMENT OF ROBERT L. McNEILL, DEPUTY ASSISTANT SECRETARY FOR TRADE POLICY, U.S. DEPARTMENT OF COMMERCE**

Mr. McNEILL. Thank you, Mr. Chairman. I appreciate this opportunity to appear before your committee to discuss H.R. 6775 entitled, "The Steel Shipping Container Identification Act."

This bill would require steel shipping containers manufactured in the United States from imported steel to be stamped with the country of origin of the steel. Every manufacturer of such containers would be required to maintain proper records showing the origin of the steel used in all steel shipping containers made by him.

The bill also provides for the Federal Trade Commission to enforce the act and to impose appropriate penalties for its violation.

The Department of Commerce strongly supports the long-established requirement now embodied in section 304 of the Tariff Act of 1930 that articles of foreign origin imported into the United States should be marked in such a way as to indicate to the ultimate purchaser in the United States the English name of the country of origin of the imported articles.

Under present law and customs practice, country of origin marking requirements apply only to imported articles which do not lose their identity before reaching the ultimate purchaser and under section 304, present practice defines the "ultimate purchaser" as the last person in the United States who will receive the article in the form in which it is imported.

The Department believes it is not desirable to exceed the scope or intent of section 304, as provided for in H.R. 6775, since to do so would place unwarranted administrative cost burdens on U.S. manufacturers and processors using imported manufactured articles. This burden would be imposed without commensurate benefits to the final consumers of the product into which the imported materials have been incorporated.

Section 304 carefully balances the desirability of informing the ultimate purchaser as to the country of origin of the imported article in the form in which it is imported against the desirability of avoiding impractical, expensive, onerous, or useless requirements which would interfere with trade.

Although H.R. 6775 does not specifically amend the act, the Tariff Act of 1930, its enactment would have certain undesirable effects in terms of the 1930 act.

First, the bill has the indirect effect of redefining "ultimate purchaser" by requiring notification of country of origin, not on the article in the form in which it is imported, but on the product after it has undergone substantial transformation by manufacture or processing by U.S. industries.

H.R. 6775 shifts the burden of responsibility for marks of origin from the parties immediately responsible for determining origin, that is, importers, to all of the manufacturers, processors, or others who handle the import prior to its final use and sale.

Additionally, H.R. 6775 constitutes special legislation since it requires manufacturers of steel shipping containers to comply with the marking and recordkeeping requirements but permits other manufacturers to incorporate imported material into their products without submitting to such administrative burdens.

To require such marking is to assume that the consumer will benefit from the knowledge that the domestically produced article contains imported materials, and that the domestic producers of steel will be benefited by the consumer's preference for the domestic product which contains no imported material.

Most probably, however, consumer preference for a particular product would be influenced by his needs in terms of quality and price, and not necessarily by his knowledge of the origin of the materials in the product.

Thus, while there is no assurance that the marking of domestically produced articles containing imported materials would have any effect on the consumer's choice, it is clear that the marking requirements provided in H.R. 6775 would impose a very considerable and bothersome burden on domestic manufacturers using imported steel. Thus, H.R. 6775 would institute a nontariff trade barrier which goes considerably beyond present marks of origin practice and is inconsistent with the trade policy of the United States to seek the removal of unnecessary impediments to trade.

Thank you, Mr. Chairman.

Mr. MACDONALD. Mr. McNeill, reading your statement, I am not 100 percent sure whether the Department is for or against the bill.

Mr. McNEILL. We are against the bill.

Mr. MACDONALD. You are against it?

Mr. McNEILL. Yes, sir.

Mr. MACDONALD. Well, is one of the reasons as you state on page 3, that the consumer preference for a particular product would be influenced by his needs and terms of quality and price and not by his knowledge of the origin of the materials in the product? I do not quite follow that statement.

Mr. McNEILL. I believe, Mr. Congressman, we are stating here that perhaps an intention of the bill is through this marking requirement, through telling consumers the steel used in the container is imported, that this perhaps may direct his final choice to a product not so labeled which would be a domestic product. Therefore, the bill apparently contemplates that it might have the effect of stimulating purchase of a product incorporating domestic steel.

Mr. MACDONALD. Well, as a representative of the Department of Commerce, is there something wrong with that, that domestic commerce should be aided and that the stimulus in this industry should follow? Is it the position of the Department of Commerce that there is something wrong with that?

Mr. McNEILL. The Department of Commerce's position, Mr. Congressman, is that one particular segment of American industry that uses steel would be required to label a product as incorporating foreign steel. The iron ore that is imported from Canada that is incorporated into domestic steel, or the nickel imported from abroad and incorporated into domestic steel does not have such a requirement. For instance, in respect of the flour that we ship abroad to be incorpo-

rated in bread in Europe, the Europeans do not require that the loaf of bread finally have stamped on it that this flour was imported from the United States, and that therefore, the bread is of foreign origin.

Mr. MACDONALD. Is this not because we are mainly giving away most of that material and the people who are getting it want to take credit for having produced the flour themselves?

Mr. MCNEILL. No, sir; I am talking here about Western Europe rather than the rest of the countries. We do have commercial markets for our wheat in Western Europe.

Mr. MACDONALD. As I recall the foreign aid bill of last year, there was a good deal of foodstuffs, et cetera, which were included and sent to such countries as Yugoslavia.

Mr. MCNEILL. Yes.

Mr. MACDONALD. We even sold some to Russia. I do not quite see the analogy because those countries obviously are quite content not to have "made in the U.S.A." stamped on the bags that they are accepting.

Mr. MCNEILL. I understand that, Mr. Congressman.

Mr. MACDONALD. By charity or by purchase from us.

Mr. MCNEILL. I was not trying to make an analogy between the shipments of U.S. wheat to Russia or Yugoslavia, but rather our commercial trade in wheat with Europe, which is sold on commercial terms.

Mr. MACDONALD. Which is exactly the same thing. We have been selling commercially to Russia. We have not reached the stage where we are giving wheat to Russia yet.

Mr. MCNEILL. That is right, sir.

The United States, in the Kennedy round is seeking liberalization of a whole panorama of nontariff barriers abroad that restrict our ability to export and we, on balance, do not think it in the U.S. interest, or in the interest of U.S. industry in the case of the Department of Commerce, to have this particular piece of legislation passed, because it would frustrate our objectives in having other countries liberalize some of their marking requirements.

Mr. MACDONALD. I can understand the State Department because I have in my 11 or 12 years here in the Congress have known that they are opposed to anything that aids the U.S. manufacturers over those of foreign countries, but for the Department of Commerce to come here with the same premise that foreign economies and foreign producers, foreign manufacturers should be aided ahead of our own American producers and manufacturers strikes me as being very surprising and I do not mean to badger you and I do not want to take up any more time as I know Mr. Curtin has a number of questions, but it does come as a surprise to me.

Mr. MCNEILL. Mr. Chairman, the United States in its commercial trade with all other nations last year earned a net surplus of \$6.5 billion. That is very important, not only to our country's balance of payments but is terribly important to the producers in the United States that sell abroad. We sold abroad, last year, nearly \$25 billion in commercial merchandise. We imported about \$18 billion of commercial merchandise. The Department of Commerce has a very distinct interest in this commercial trade.

We feel passage of this particular bill would frustrate our ability during the course of the Kennedy round and during the course of many bilateral discussions that we are having with our trading partners to seek liberalization of some of their impediments to our exports. That is the reason we are opposed.

Mr. MACDONALD. We went through the Kennedy round routine, so-called Kennedy round of the GATT Conference somewhat with the gentleman from the Department of State and I will not go into that much more in particular. But I thought it was the duty of the Department of Commerce to encourage American producers and manufacturers. What harm can there be when a bill of this nature is not a tariff?

At one point you seemed to skirt on whether or not it is a form of tariff. This is merely information, isn't it? The barrels as I understand it, will merely say, "Made in Japan," or the country of origin.

Mr. McNEILL. Mr. Chairman, our constituency is a broad constituency and includes people that manufacture. This would place on many of these people a rather onerous burden of perhaps segregating the inventories as being imported sheet and domestic sheet. This, in turn, would involve many administrative burdens on them. It would make it terribly difficult for them to know whether in a particular barrel the sheet used was domestically produced or produced abroad, and this could adversely effect their competitive ability in the marketplace.

Our constituency is a broad one here. It is not necessarily the final manufacturer and seller of the barrels.

Mr. MACDONALD. Well, I will let Mr. Curtin pursue that. I know he has introduced the bill and these hearings were held last year although I was not a member of the subcommittee at that time, I do not believe people within the industry expressed the same feelings that you have just expressed.

I yield to Mr. Curtin.

Mr. CURTIN. Thank you, Mr. Chairman.

Mr. McNeill, I join with the chairman in feeling some amazement that the Department of Commerce is so very fearful of making some foreign producers unhappy when the matter is to the definite advantage of the American consumer, the American public and the American manufacturer.

I presume you will agree that this is purely marking legislation and it is merely informational. Will you go that far?

Mr. McNEILL. I would go that far, Mr. Congressman, but I would dispute the contention that the Department of Commerce is interested in this particular bill only to protect the foreign producer.

Mr. CURTIN. Well, why are you so unhappy with the bill?

Mr. McNEILL. We are unhappy with this bill, not because of the interest of foreign producers, but we are unhappy with the bill because of the burden it would place on domestic manufacturers in terms of segregating their stocks, and in terms of the administrative cost that this would involve.

We are further concerned that passage of the bill would frustrate our efforts in seeking to have other countries liberalize many of the impediments that they impose on our exports. We cannot have it one

way—it has to be two ways and if we, in the United States, are going to continue to impose additional marking requirements or other forms of nontariff barriers on foreign commerce, other countries can be expected to react and further restrict our ability to export.

Mr. MACDONALD. Would you yield?

Mr. CURTIN. Yes.

Mr. MACDONALD. What you just said I do not quite understand. Why is marking a barrier?

Mr. McNEILL. If, Mr. Congressman, I could refer to the bill itself.

Mr. MACDONALD. Well, in general, you just said marking is a barrier.

Mr. McNEILL. Yes.

Mr. MACDONALD. Why do you think it is a barrier?

Mr. McNEILL. Why?

Mr. MACDONALD. Yes.

Mr. McNEILL. We have in our Department, many, many complaints from domestic producers who sell in foreign markets that the requirements that other countries impose on their products in the form of marking are onerous and severely restrict them, and in some case preclude them from selling in the foreign market.

Mr. MACDONALD. A product bearing the label "Made in the U.S.A." will prevent the sale of that product in a foreign market?

Mr. McNEILL. I did not say that, sir.

Mr. MACDONALD. Is that the complaint that is made?

Mr. McNEILL. No. The complaint is what the marking requirements in some instances do.

Mr. MACDONALD. Well, give me a for instance, please.

Mr. McNEILL. Here are some, Mr. Congressman. Here is one case, and I will not identify the domestic producer. It is a food product in a particular country in Africa, their packages must be even numbered in weight. For example, 2, 4, 6, or 8 ounces.

Mr. MACDONALD. What country in Africa?

Mr. McNEILL. This is not identified on my sheet here.

Mr. MACDONALD. The country is not identified?

Mr. McNEILL. It is case number "Africa, 002."

Mr. MACDONALD. You have no idea?

Mr. McNEILL. I have no idea. But in this African country, in order to meet this domestically imposed marking requirement this particular American company would have to make special packages to meet that requirement and, therefore, sell in that market. It may be uneconomical for them to make these special packages, and they, therefore, might effectively be prohibited from selling in that market.

Mr. MACDONALD. What African countries have any dollars or hard currency to purchase?

Mr. McNEILL. South Africa would be one.

Mr. MACDONALD. I am sure South Africa is one that you would not have this kind of problem with.

Mr. McNEILL. You also have some of the former French and British territories in Africa that have hard currencies.

Mr. MACDONALD. Such as?

Mr. McNEILL. Such as Ghana which is, for example, a purchaser of U.S. products. Morocco, Tunisia, and Algeria are purchasers of American products. In east Africa you find that Ethiopia and

Somaliland are customers of U.S. exporters, and that they all have currency with which to purchase.

To the extent that any country imposes onerous burdens in the form of marking or other nontariff kind of barriers is certainly an impediment to our ability to sell.

Mr. CURTIN. Would the chairman yield?

Mr. MACDONALD. Yes.

Mr. CURTIN. Then, Mr. McNeill, do I understand that the Department is against all forms of marking of U.S. products?

Mr. McNEILL. No, sir; I said in my statement that we support section 304 of the Tariff Act of 1930 which does impose marking requirements.

Mr. CURTIN. Where do you draw the line? What do you think is good marking and what do you think is bad marking?

Mr. McNEILL. We think that this particular case abrogates the purpose of section 304 by requiring that the ultimate consumer of a barrel have knowledge that a barrel was manufactured from domestic steel. The normal marking requirement is that the sheet steel that comes into the United States has a marking as to the country of origin.

Mr. CURTIN. That is right.

Mr. McNEILL. And that is as far as practice normally goes. This goes beyond that and says that people manufacturing pails or barrels out of imported steel must so identify that that particular barrel is made from imported steel.

Mr. CURTIN. Well, let us pursue that for a moment. Do you mean that is going to, in some way, affect the market for pails and steel drums in the United States? That is, affect it adversely?

Mr. McNEILL. I suggested in my statement, Congressman, that it perhaps would not, and if it would not then I wonder what the purpose of the bill is.

Mr. CURTIN. It would not adversely affect sale of the product at all, is that what you mean?

Mr. McNEILL. No; I thought your question, sir, was did I think that the marking requirement that this bill would impose would have any marked effect as far as consumers' choices are concerned. I was answering that question.

Mr. CURTIN. Perhaps I did not state the question very well because that is not what I meant. I meant, do you think the putting of the notation required by these bills on a drum or a pail would adversely affect the sale of that drum or pail in the United States?

Mr. McNEILL. I do not have an answer to that.

Mr. CURTIN. Do you think it would adversely affect the sale of that pail or drum in any foreign country?

Mr. McNEILL. Not necessarily.

Mr. CURTIN. So then you have no objection to the marking feature of the legislation on the ground that it was going to adversely affect the product, the sale of the product?

Mr. McNEILL. It might affect, sir, the competitive ability of some producers of pails and containers to sell in the market; yes.

Mr. CURTIN. That is what I thought you were getting at. Now, just how?

Mr. McNEILL. To the extent that a small manufacturer of pails in this country would have to institute a bookkeeping system and record system and a separate inventory system so that he can segregate

his basic raw material, which in this case would be sheet steel, as I understand it, that this might very seriously affect his ability to compete in the market with a larger producer, for example.

Mr. CURTIN. Do you not think that every person who purchases steel sheeting, whether from a small distributor or a large manufacturer, keeps a record of where he buys that product that he is selling or processing?

Mr. McNEILL. I do not think, sir, you will find generally that American manufacturers, particularly American consumers of steel in the manufacturing process, are required to segregate their inventories and to stamp on their final products that this particular product was made with or without foreign steel.

Mr. CURTIN. Are you an attorney?

Mr. McNEILL. No.

Mr. CURTIN. You answered just like an attorney. I am an attorney and I was very proud of you.

Mr. McNEILL. The U.S. manufacturers of automobiles are not required to stamp on each automobile manufactured or incorporating somewhere an imported sheet or imported piece of steel that the automobile is a foreign product.

Mr. CURTIN. That is a bit of information that is not responsive to the question.

Mr. McNEILL. The principle is the same, Mr. Congressman.

Mr. CURTIN. The question is whether it is not a fact that everybody that buys steel has a record of from where he bought it? Would he not have records to show where he bought that steel and to whom he made payment for it?

Mr. McNEILL. Yes, sir.

Mr. CURTIN. So, he would have records of his purchase, would he not?

Mr. McNEILL. He would have records of his initial purchase.

Mr. CURTIN. And would he not have a record to show where it came from?

Mr. McNEILL. Yes, sir.

Mr. CURTIN. So, therefore, there would be no additional records to be kept, would there?

Mr. McNEILL. Yes, sir.

Mr. CURTIN. What?

Mr. McNEILL. If I were a manufacturer of pails, and if I purchased sheet steel that is marked "made in Sweden" on it and of my total monthly purchases, 7 percent is so marked and 93 percent is not so marked, the assumption is then the 93 percent is domestic. After the initial purchase, I am not required to keep any further records nor am I required to segregate my inventory as between Swedish steel or the U.S. steel. It is after the point of purchase that this bill imposes the administrative burden.

Mr. CURTIN. When a processor gets that steel and processes it, he obviously has a complete record of it—and most American businessmen have very careful records, the Government sees to that because of the various matters they have to report to the Government—so that every manufacturer or processor would know from what steel a particular pail or drum is made. I do not think this legislation would impose any further burden on him, or any additional recordkeeping.

Mr. McNEILL. That is an assumption I cannot challenge but I would, myself, find it difficult to conceive of a manufacturer using a mix of raw material who would know in which of his final products that mix existed.

Mr. CURTIN. Well, is one of your main objections, then, that the cost of the steel in the finished product of the pail or drum is going to be more if they have to do this?

Mr. McNEILL. Yes; I think it would be more.

Mr. CURTIN. And that additional cost would be purely the administrative cost of keeping the records?

Mr. McNEILL. Yes; I think it would be more.

Mr. CURTIN. And do you think such additional cost for keeping the records would be substantial?

Mr. McNEILL. The administrative cost and keeping the records and perhaps keeping separate inventories.

Mr. CURTIN. No other cost that you can think of?

Mr. McNEILL. The embossing would cost something. How much, I have no idea.

Mr. CURTIN. Another objection that you gave was that the Government is engaged in this liberalization program of all tariffs. Is that another objection to this bill; that it goes in the face of that policy of the Government?

Mr. McNEILL. I believe it does, sir, but I do not believe I said that this bill is in contradiction to our tariff policy. I was talking about our desire during the course of the current negotiations in Geneva to seek a meaningful liberalization of access to foreign markets; that in this endeavor in a very large way there has been introduced into the Kennedy round the new element of nontariff barriers to trade; that is, barriers that are other than tariffs. To my knowledge, this is the first time that this Government has made such a considerable effort. Our ability and our credibility with our trading partners in seeking from them the liberalization of their nontariff trade barriers would be diluted. Our efforts are diluted to the extent that we refuse not only to liberalize our own nontariff barriers, of which we have many, but to the extent that at the same time we add to our inventory of nontariff trade barriers. For example, this list that I have here, this is a list of products that we are working on abroad. These happen to be marking requirements.

Mr. CURTIN. They are cases where you are going to try to get tariffs reduced on the imports of those countries into the United States?

Mr. McNEILL. These are container problems and marking problems. They are not tariff problems.

Mr. CURTIN. Of course, as the chairman said, yesterday we went into this "Kennedy round" and the liberalization of tariffs, and, in that connection, I can only repeat what I said yesterday, that it is a very glib expression and it sounds wonderful, but as it continues, more and more industries in my district are closing up in the face of foreign competition. So I do not see how this liberalization, so far, has done much good for my particular district because liberalization as I see it should be a two-way street.

Mr. McNEILL. Absolutely, sir.

Mr. CURTIN. And, unfortunately, I am afraid that you people seem to feel that what we have to do is to liberalize everything that is American made with the hope that maybe in the future it will have a very fine effect on the rest of the world and they will follow suit.

Now, here is a bill where the only thing it does is inform; it does not prevent any American purchaser of steel from buying the foreign steel if he wants to do so. That is perfectly all right. All it does is let him know when he buys a drum or a pail that it is made of foreign steel. That is all. It does nothing else.

Mr. McNEILL. Sir, if I may, it is not all that it does. It does not impinge on this manufacturer of pails or barrels ability initially to purchase foreign or domestic steel, but thereafter, it can very much affect his ability to survive in a competitive market because of the additional administrative and cost burden that the bill would impose on him.

Mr. CURTIN. Well, I appreciate and respect your concern for the American producer, but when we had hearings on this type of legislation last year every American producer of the drums and the steel pails that came into the hearing was very much in favor of this legislation. None of them raised these objections that now give you so much concern.

Mr. McNEILL. I read the hearings of last year, Mr. Congressman, after I was asked to come up here and testify, and I recall that there were several people that appeared, but I did not realize that the totality of the industry or all of the various interests within this industry testified.

Mr. CURTIN. I did not say that every manufacturer testified. I say that all the manufacturers that appeared so testified. There was objection, but it was not from the American producers.

That is all I have, Mr. Chairman.

Mr. MACDONALD. Mr. Huot?

Mr. HUOT. No question, Mr. Chairman.

Mr. MACDONALD. I have just one last question. Would the Commerce Department have any objection or would they call it discriminatory if domestic producers who use imported steel were to put on the barrels "Made of U.S. quality steel." Would that be discriminatory?

Mr. McNEILL. If each producer would be required to stamp on his barrel "Made of U.S. quality steel"?

Mr. MACDONALD. To mark each container made so as to read, "Made of U.S. quality steel."

Mr. McNEILL. What does that mean, Mr. Congressman? Does it mean U.S. quality steel?

Mr. MACDONALD. I thought it was a word of art.

Mr. McNEILL. I do not understand it, sir.

Mr. MACDONALD. Well, I thought "U.S. quality steel" was a word of art which designated a type steel; such as in beef you have different and various gradations of beef. I thought perhaps the same thing was true of steel.

Mr. McNEILL. Mr. Congressman, "quality" implies a standard and the standards can be met from many different sources.

Mr. CURTIN. Could I ask one other question, Mr. Chairman, which I neglected to ask before?

Mr. MACDONALD. Yes.

Mr. CURTIN. You also said, Mr. McNeill, and I'd like to have you clarify, if you would, your statement that this particular legislation would affect adversely the competitive position of certain manufacturers as against other manufacturers. What do you mean by that?

Mr. McNEILL. Well, I implied by that, sir, that if this industry is at all typical of many industries, the smaller producing units within the industry try to gain and maintain the ability to compete, sometimes finding it necessary to gain that ability in the lower cost of raw materials. In some cases, this might mean a foreign material. If their larger competitors—and Mr. Congressman, I am just setting up a hypothesis here—if their larger competitors draw solely from domestic steel and through buying larger quantities get lower unit prices and larger discounts that the small fellow was not able to obtain, and if this bill imposed on him an onerous burden, administrative burden, and therefore a cost burden to him, it might simply mean the difference between his staying in or staying out of business. That is what I meant to imply.

Mr. CURTIN. Do you mean then, that the small manufacturer who uses, or might use, this foreign steel might imply to the trade that it is U.S. steel he is using and, therefore, the same steel as in his competitor's product?

Mr. McNEILL. No, I did not suggest anything like that, Mr. Congressman. I was suggesting that he may find it necessary to buy his steel from a nondomestic source if he can get a cost advantage in so doing. This may enable him to remain in business.

Mr. CURTIN. You are saying that he would buy steel where he could buy it cheapest so he could undersell his competitor who was using American steel?

Mr. McNEILL. I did not say undersell. I said it might be the difference between his staying in business or not.

Mr. CURTIN. Is it not cheaper production if he buys a cheaper steel?

Mr. McNEILL. It is not the same thing. I come from a family that operated a small business firm competing with very large business firms. The cost of our raw material, which in this case was flour and margarine, was \$6.75 a barrel because we bought in small lots. Our larger competitors were buying the same barrel at \$2.50 because they bought it in carload lots.

I am simply making an analogy between this kind of situation and the situation of a small manufacturer in this particular industry who may be able to offset the disadvantage of his smallness of size and inability, therefore, to buy at the larger discounts that his larger competitors get through the purchase of a cheaper material.

Mr. CURTIN. Then, of course, it would be following your argument a little further, to say that all of the marking requirements of the Tariff Act should be eliminated, because then he could buy all kinds of foreign products, and at a cheaper price, they would be unmarked, and thus he could compete with his bigger competitor by putting them on the market at a price which would let him continue in business.

Mr. McNEILL. No, sir, I did not suggest any such thing.

Mr. CURTIN. Then how far down the road should he go before he stops notifying his competitor that he is purchasing foreign products?

Mr. McNEILL. Well, first of all, I do not think it is a custom in the

conduct of business to notify your competitor of what you were doing, what you were buying, and what price you were paying for it.

Mr. CURTIN. I will accept that. I meant the consumer rather than competitor.

Mr. McNEILL. I did not at any time suggest and I would not suggest that we abolish our marking requirements.

Mr. CURTIN. If we do abolish them, then such small purchaser could buy his materials cheaper, anywhere he could find them, and he could more ably compete in the open market with the big competitor.

Mr. McNEILL. No, sir; you are going three steps down the road leaving out the first two. There is nothing that now prohibits any domestic producer or manufacturer or domestic consumer from buying a foreign product.

Mr. CURTIN. That is right.

Mr. McNEILL. Mark or no mark.

Mr. CURTIN. That is true.

Mr. McNEILL. What this bill does is to go a step beyond the normal marking requirement by saying that the ultimate consumer should not be treated in this particular case as the ultimate consumer in most other cases, but that the ultimate consumer here shall be redefined not to be the purchaser that imports the identifiable product, but the person who buys the manufactured product incorporating a non-domestic material. If you carry this principle, which is embodied in this bill, to its logical conclusion you then would require all domestic manufacturers incorporating in their final product any foreign material, semiprocessed material, finished material, assembly, or subassembly to let the ultimate consumer in the marketplace know that there is incorporated somewhere in that product a foreign material. This is something that would be administratively impossible for American industry to cope with.

Mr. CURTIN. Of course, I think you are fighting dragons that do not exist and are reaching awfully far. You would suggest that when we sell wheat to foreign countries we should mark thereon that it was watered with rain that grew that wheat and that rain came from heaven.

Mr. McNEILL. Mr. Congressman, I am perhaps exaggerating but I am using as a point of discourse the principle that this bill establishes. I am making a broad and general analogy as to what it would mean if it were followed to its logical conclusion, which would be the logic that you should have the same requirement across the board.

Mr. CURTIN. What you are saying is that this bill might bring on other bills that would go even further. I do not think we need to worry about that. All we have before us today are these particular bills. I do not think we need to worry about legislation that might be introduced subsequently to this and would go further. All we are saying here is steel plates must be marked if they are made into these pails or drums.

Mr. McNEILL. No, you are not saying that, Mr. Congressman. Steel sheets that are incorporated into drums now are marked. Steel sheets that are imported for use by the manufacturer of containers that you are talking about now are marked with the country of origin.

Mr. CURTIN. But the product is not.

Mr. McNEILL. What we are talking about here is something that happens at a later step of manufacture.

Mr. CURTIN. One step further. When the steel is made into a drum.

Mr. McNEILL. Yes.

Mr. CURTIN. Then it is embossed and that is the only forward step we have taken.

Mr. McNEILL. That is quite a step. That is all I am saying.

Mr. CURTIN. That is all.

Mr. MACDONALD. I have just one last question. I take it that one of the main reasons that the Commerce Department opposes the bill is because of these round of so-called negotiations that are going on, the so-called Kennedy round. Is that so?

Mr. McNEILL. This, Mr. Congressman, is a factor in the Department's consideration.

Mr. MACDONALD. How big a factor?

Mr. McNEILL. Do you want me to attempt to qualify it? I could say it is 40 percent—50 percent. I prefer to say it is a significant factor.

Mr. MACDONALD. How important do you think the fact that these negotiations are going on is in the decision reached? Apparently they must have reached that conclusion just very recently if they just appointed you to come up here last night.

Mr. McNEILL. Mr. Congressman, the Department of Commerce has submitted reports annually on this bill, which each year has a different House bill number before it. Our position has been consistent over the years.

Mr. MACDONALD. With or without the negotiations going on, you are opposed to it?

Mr. McNEILL. That is correct.

Mr. MACDONALD. So therefore, if you had been opposed to it before the negotiations, the negotiations would not have anything to do with it. So when you say 40 or 50 percent in your analysis, actually it is zero percent.

Mr. McNEILL. No, I would not say it is zero.

Mr. MACDONALD. If you say they opposed it before the negotiations were on for other reasons, obviously there were no negotiations that entered into the decision.

Mr. McNEILL. Mr. Congressman, the U.S. Government negotiates major tariff liberalizations through the form of the GATT. We now are negotiating such a one we call the Kennedy round.

Mr. MACDONALD. I hope this is not going to be a lecture. We have heard it from the Department for a number of years.

Mr. McNEILL. In 1961 and 1962 we were negotiating the Dillon round but aside from these major tariff rounds, so-called, we are constantly negotiating on a bilateral basis with out trading partners—

Mr. MACDONALD. I understand.

Mr. McNEILL (continuing). On such problems as marking, and such problems as containers.

Mr. MACDONALD. Right.

Mr. McNEILL. So that I think the attempt to quantify was perhaps not a wise word that I used but the fact is that we constantly are endeavoring to seek liberalization for our exports abroad.

Mr. MACDONALD. How does the Department feel that these so-called negotiations are progressing? Do they feel they are perfectly satis-

fied with the progress having been made in the Dillon round and the Kennedy round of the GATT?

Mr. McNEILL. I would think it fair to state that we would be more delighted at this particular point of time had we made further progress in the Kennedy round.

Mr. MacDONALD. Do you not think it is unfair to come before not just this committee of the Congress but many committees of the Congress and say a certain bill is not so bad but the atmosphere that it will create in the minds of foreign governments is that we are returning to protectionism and is an adverse climate to our negotiators at GATT which so far has been merely a round of conversations. There has been much conversation but I have not seen anything very concrete that helps American industry that has come out of any of these rounds.

Mr. McNEILL. Mr. Chairman, nothing concrete will come from the Kennedy round or any other round until it has been completed and signed and the reductions negotiated put into effect.

The Dillon round negotiations were put into effect in 1962 and 1963. Since 1934—I do not mean to bore you with history, Mr. Chairman—but since 1934 we have achieved very significant reductions of foreign tariffs. The price of this was a significant reduction in U.S. tariffs. But I think if statistics mean anything, and in this case they do, the fact that we have this very healthy foreign trade and the fact it is so largely balanced in our favor is indicative that the conduct of the national policy of tariff and trade liberalization has been beneficial to the American economy, and that is the concern of the Department of Commerce.

Mr. MacDONALD. Thank you. I would like to say in passing, Mr. McNeill, that if the Secretary reads your testimony and notes your ability to answer questions without really answering them, you will appear before many committees of the Congress.

Thank you, very much.

Is Mr. Jacobson here? I believe Mr. Jacobson indicated to me yesterday that he might find it impossible to be here today, due to a speech he was giving someplace.

**STATEMENT OF JEROME JACOBSON, DEPUTY ASSISTANT SECRETARY FOR ECONOMIC AFFAIRS, PRESENTED BY VERNON G. SETSER, ADVISER, OFFICE OF INTERNATIONAL TRADE; ACCOMPANIED BY DAVID H. ERNST, CHIEF, SPECIAL TRADE ACTIVITIES AND COMMERCIAL TREATIES DIVISION, OFFICE OF INTERNATIONAL TRADE, DEPARTMENT OF STATE**

Mr. SETSER. Mr. Jacobson is scheduled to address the Millers National Federation. The appointment was made a long time ago and it was simply impossible for him to be here.

Mr. MacDONALD. That is very understandable.

Mr. SETSER. I am Vernon G. Setser, adviser in the Office of International Trade, Bureau of Economic Affairs, Department of State. Mr. Jacobson was not able to solve the problem of having to be in two places at the same time. I know that he would have liked to have been here.

Mr. MACDONALD. I know that Congressman Curtin indicated yesterday he would like to ask him some questions.

Mr. CURTIN. I would have liked to discuss this matter further with Mr. Jacobson.

Mr. SETSER. David H. Ernst, Chief, Special Trade Activities and Commercial Treaties Division, Office of International Trade, is also present. If we can answer the question, we shall attempt to do so. If not, we shall take them back to the Department to try to obtain answers for you, sir.

I shall now read Mr. Jacobson's statement.

Mr. Chairman, I am appearing to testify with regard to H.R. 6182. The Department of State has already submitted a written report on a companion bill, H.R. 1671, identical to H.R. 6182 in nearly all substantive respects. My statement is supplemental to that report.

This bill declares it to be an unfair and deceptive act or practice in commerce under the Federal Trade Commission Act to introduce into interstate commerce any steel shipping container—for example, steel drums and pails—if made in whole or in chief value of imported steel unless such container bears a die-embossed mark, with letters at least one-fourth inch in height, showing the country of origin of the imported steel.

Manufacturers of steel shipping containers would be required to maintain records showing the origin of all steel used for containers and to preserve the records for at least 3 years. Violators of these requirements would be subject to a maximum penalty of \$5,000 fine or imprisonment up to 1 year.

We are very concerned about laws to impose burdensome marking requirements upon imported goods. We are particularly concerned about this steel container marking bill.

It would create, in effect, a new statutory offense, subject offenders to severe penalty, and declare certain things to be unfair or deceptive acts or practices in commerce which are neither unfair nor deceptive under any reasonable moral code or standard of business conduct. Every day our factories utilize large quantities of foreign materials. Yet, it is proposed to single out steel containers to bear the mark that foreign materials have been used. The use of imported materials is essential to our industrial economy; it is certainly not in our economic interest to place obstacles in the way.

Before discussing the foreign policy problems raised by this bill, I should like to refer briefly to more domestic aspects of the matter. This new amendment, with its novel definition of unfairness and deception, will divert the Federal Trade Commission from its familiar function of safeguarding the public from fraudulent treatment in the marketplace and assuring maintenance of decent standards in business competition. Instead, the Commission will be directed to protect a domestic industry from perfectly fair competition from imports.

It will also set a precedent. Hitherto marks of foreign origin have been called for to distinguish articles produced abroad from those produced at home. Now it is proposed to use a mark to distinguish one product made here from another made here solely because one has imported material in it. The proposed law would also subject private business to undesirable Government interference and restriction.

It is very clear that the object of H.R. 6182 is to restrict the importation of sheet steel and, indeed, this could happen. Manufacturers of containers of imported steel will incur costs to mark their containers: for stamps or dies, the labor cost of applying the marks of origin, and the administrative expenses involved in storing and using separately and keeping records regarding supplies of sheet from different sources. These added costs amount to an increased tariff on steel. Of probable greater consequence in hindering the free use of imports is the threat of harassment of users by competitors and agitators which is invited by such marking and recordkeeping requirements.

Now, let me turn directly to the foreign policy side of this matter. The policy of the United States with respect to foreign trade is established mainly by the Trade Expansion Act of 1962, which continues in many respects the policy of the earlier Trade Agreement Act. Under the authority of the earlier act, we made agreements with foreign countries binding the customs duties on sheet steel against increase. This occurred as a part of the bargaining procedure by which we obtained concessions in favor of American exports. The enactment of H.R. 6182 would reduce the tariff benefit gained by our trading partners, and could result in claims by them for compensatory tariff adjustments under the terms of the General Agreement on Tariffs and Trade.

In any case, new restrictive measures of this sort will damage our position in the trade negotiations now in progress in Geneva.

Further, new trade restrictions here could stimulate new restrictions abroad against our exports. If that happens, we will suffer the greater harm because of the greater volume of our exports.

We must, after all, worry about discrimination abroad against our products of the kind proposed in the bill and we have made agreements with many countries providing that in matters relating to internal taxation, sale, distribution, storage, and use, imported products shall be accorded equality of treatment with like domestic products.

These provisions should assure that once imported goods have passed into domestic trade, they are treated just like domestic goods. These commitments may be found in article III of the General Agreement on Tariffs and Trade, to which over 60 countries besides the United States are parties.

Similar obligations are included in a substantial number of bilateral commercial treaties of the United States. Legislation such as H.R. 6182 is inconsistent with these international agreements because it applies only to imported products, and it establishes an administrative burden of labeling not applicable to like domestic products.

Now, we are aware of the concern about imports on the part of domestic producers of steel sheet and manufacturers of containers who wish to utilize only domestic sheet in their products. But Congress undertook to provide a remedy in the Trade Expansion Act for injury to domestic industry that might result from the operation of the policies established by the act. We think that the machinery set up by the act should not be bypassed in favor of remedies that contravene the purposes of the act.

To recapitulate, Mr. Chairman, the Department of State holds the view that H.R. 6182 contains highly objectional features; that it would brand as unfair and deceptive acts, practices that are quite fair and unobjectionable; that it would result in burdensome Government interference in private industry; that it would make more difficult the carrying out of our established foreign trade policy; and that it is inconsistent with our international commitments.

We urge that the committee give the most serious consideration to these aspects of the proposed law.

Mr. MACDONALD. Mr. Huot?

Mr. HUOT. No questions.

Mr. MACDONALD. Mr. Curtin?

Mr. CURTIN. I have listened to your statement, which is in line with what has been the policy of the Department of State on all legislation such as this for many years, and your main concern, as I take it from the statement of Mr. Jacobson, is the fear that this type of legislation is going to impose burdensome restrictions on foreign trade for which we are likely to have some form of retaliation put on our exports. Is that about it?

Mr. SETSER. That is a possibility, sir.

Mr. CURTIN. Now, you say that this bill, among other things will raise the tariff because the price of the product will increase by increased administrative costs and also we must consider the cost of preparing the die to emboss the product, which is going to be expensive. All of this is going to increase cost and therefore, the tariff is going to be increased. Is that also your position.

Mr. SETSER. Yes, sir.

Mr. CURTIN. Well, are you not straining quite hard to arrive at that decision? The purpose of this bill is purely informational; that it provide the ultimate user of the steel with knowledge as to the source of the steel in that particular object, be it a pail or be it a drum.

Does not the Department of State recognize the bill as being for that purpose?

Mr. SETSER. We find it difficult, sir, to fully recognize that object, perhaps for two reasons. One is that here we are not talking about the householder who goes to the neighborhood hardware store to buy a pail or drum. The people who are going to buy these drums and pails are the purchasing agents for oil companies, for chemical companies, and other large producers of materials such as that. To assume that they, if they consider it important to know the source, remain ignorant of the source of the material they buy seems to us to raise a serious question.

Mr. CURTIN. Well, is not that just what we do not want them to do? We do not want the person who buys these pails or drums to remain ignorant of the source of that steel. We want him to know the source of the steel.

Mr. SETSER. But as I indicated, people in these positions of purchasing agents are not going to need that information. They have it. If they consider it important they can easily obtain it. All they need do is put on the purchase order a requirement and the supplier will certainly be prepared rather than lose the sale to furnish whatever information they desire.

Mr. CURTIN. Do I understand then the Department of State feels that it is absolutely of no interest to the American purchasers to know the source of materials being used in the products they are purchasing?

Mr. SETSER. We have no information, sir, that the purchasers of steel shipping containers are concerned about the origin of the steel they use.

Mr. CURTIN. Is not the Department of State concerned in knowing how much domestic steel is used as against how much foreign steel is used?

Mr. SETSER. In containers?

Mr. CURTIN. No.

Mr. SETSER. In any particular class of products?

Mr. CURTIN. In the use of steel, in general.

Mr. SETSER. We have occasion to utilize information as to the use of imported steel and of domestic steel, but as far as segregating it, in the case of containers, I know of no particular interest we would have in it.

Mr. CURTIN. Then is the ultimate concern of the Department of State to protect the Americans or is the ultimate concern of the Department of State to see that relations remain fair and blooming with all the other countries of the world?

Mr. SETSER. The Department of State believes that it is doing a great deal to help protect the economic interest of American producers by maintaining the policy established in the Trade Expansion Act and that there is a very large concern of American producers and of American labor in the sales which result from this international exchange of goods.

Mr. CURTIN. Now, you mentioned earlier in your statement that American manufacturers or processors who feel they are being unjustly hurt by foreign competition should file an appeal or a complaint with the Federal Trade Commission. Do you know how many such complaints have been filed within the last 2 years?

Mr. SETSER. I do not know the exact number. I know there have been a considerable number.

Mr. CURTIN. Do you know how many of them have received favorable attention, in that the complaint has been favorably acted upon and some adjustments have been made?

Mr. SETSER. As I understand it, there have been few, if any, that have been able to meet the requirements established in the act.

Mr. CURTIN. In other words, American business people have filed a great number of these complaints and there has been nothing done to adjust their grievance in any of them, within the last 2 years?

Mr. SETSER. To the best of my knowledge, that is correct.

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

Mr. MACDONALD. Sir, I just have one or two questions. We more or less went over this ground yesterday on a different matter. One thing that always strikes me in testimony given by the State Department on matters of this nature is the use of adverbs in qualifying the word "marking." Each time the word "marking" appears, it is always followed by a descriptive adverb such as "burdensome," "harassing," or it is never just called plain "marking."

Do I take it the official position of the State Department is that they are against marking, in general?

Mr. SETSER. I do not know of any position that the State Department has taken on the general question of marking. I do not know of any. The General Agreement on Tariffs and Trade establishes certain standards. It takes into consideration the matter of marking and establishes certain standards, among which are that any marking requirements should not be unnecessarily harmful to international trade.

Mr. MACDONALD. Well, that is what I do not understand and this is, of course, where we disagree. If it is just a matter of information that such a product is manufactured in the country of origin, be it Japan, Czechoslovakia, or anywhere else. England, how is that burdensome? What is the criteria that the State Department uses that makes that burdensome on trade, because it is stamped "made in England," or "made in Czechoslovakia," in any country of origin.

What is the burden there? That is what I cannot understand, sir.

Mr. SETSER. Let me, since we started out to discuss the position of the Department of State on marking, in general, let me say I referred to these standards in the General Agreement on Tariffs and Trade. It is my understanding they apply to imported products, not to products manufactured in the United States simply because they contain imported material. I think that is a new consideration.

Mr. MACDONALD. Yes, sir; in a matter which is a matter very similar to this question we were discussing yesterday, wool textile labeling. The State Department said this would be burdensome marking because the country of origin had to be included.

Mr. SETSER. We join with Mr. McNeill of the Department of Commerce and say we are not objecting to section 304 of the Tariff Act as it now stands.

Mr. MACDONALD. You would be in the wrong committee if you did, since we have nothing to do with that, but we are given the duty of looking after matters under the Labeling Act and that is what we are talking about now. We are not talking about tariffs. There is nothing in this that has anything to do with tariffs. This is why I wondered if the State Department understands what the bills under consideration do. They have nothing to do with tariffs. They merely inform the purchaser where the product was manufactured and what is burdensome about that?

Mr. SETSER. Mr. Ernst would like to reply to that if he may.

Mr. ERNST. I would like to clarify a point, Mr. Congressman. Mr. Setser referred to section 304 of the Tariff Act. You responded to this that it had nothing to do with tariffs. Section 304 of the Tariff Act is a section dealing with the marking of imported articles and containers and that is why the reference to the Tariff Act was made and as Mr. Setser indicated, we can join as he indicated with the Department of Commerce in supporting the reasonableness of the existing legislation in section 304.

I hope that is a clarification.

Mr. MACDONALD. It has been clarified. I understood it when he first said it. What I am asking is what is burdensome? You keep repeating throughout your statement it is burdensome marking, and that was said yesterday a number of times.

I ask again, why does the State Department think that because the origin, the country of origin is put on a product that that is burdensome? On whom is it a burden? Is it a burden on the manufacturer,

the consumer, the importer? Whom? I do not quite understand what the State Department's position is. On whom is it a burden?

Mr. SETSER. On the manufacturer and it creates a burden for the purchaser.

Mr. MACDONALD. Why?

Mr. SETSER. If the problems resulting from the marking are passed on to the user, then it is a burden to him.

Mr. MACDONALD. It is a burden for him to read the fact it is manufactured, let us say, in Great Britain?

Mr. SETSER. Let us look at it generally.

Mr. MACDONALD. Let us instead of getting into generalities, stick to the facts. You said it was burdensome on the purchaser to have a thing that he purchases marked with the country of origin. Where is the burden? What constitutes the burden?

Mr. SETSER. Let me say that our general position here is that this is a burden to international trade, that the burden falls upon—

Mr. MACDONALD. Do you want to retract, sir, that it is a burden on the purchaser?

Mr. SETSER. No, sir; because the purchaser is involved in the whole process.

Mr. MACDONALD. What is the burden on him?

Mr. SETSER. The additional expense we referred to here of utilizing the imported sheet.

Mr. MACDONALD. How much, per barrel, would it cost to emboss "Made in England"?

Mr. SETSER. I am not an expert and I could not calculate it.

Mr. MACDONALD. I am not an expert either. We are just trying to learn something from the experts.

Mr. SETSER. But I do not think it requires much expertise to recognize that for the man who has to purchase the equipment to do the marking, to have workers apply the marking, to give the additional care to put the mark upon the article, to keep the materials which do not have to be marked separate—I do not think it requires any expertise to recognize that that is a burden for him. Maybe it is not a large burden.

Mr. MACDONALD. That is what I was about to say.

Mr. SETSER. It is a burden, though, upon the man.

Mr. MACDONALD. We should not both talk at once as it will confuse the record. How much would it cost and I say you said you did not know because you were not an expert and I told you I am not an expert either. I am saying that it does not take much expertise to see that in any large shipment, just stamping the country of origin, emboss it on a container as we are talking about today and yesterday, the expense is infinitesimal in my judgment and I cannot see why the State Department is so worried about such a small item.

Mr. SETSER. It may be small, but nevertheless, it is an added burden for the user, the producer that has to do this in competition with the producer that is exempted by law from the requirement that it be done. I do not care what it amounts to, if it is only a fraction of a cent. It is discrimination if it amounts to even that much.

Mr. MACDONALD. Well, that leads me directly back to the question I asked of the previous witness which I got involved in as to what quality was. I will ask you the question: If U.S. manufacturers

using domestic steel for steel containers should decide to mark their containers, and I will just use this for an example without going into what "quality steel" is, but say they used a phrase like, "Made from U.S. quality steel," would your Department then propose legislation to prohibit that practice on the theory that you just expressed, that this practice would discriminate against imported steel?

Mr. SETSER. Is this to be required by law?

Mr. MACDONALD. Yes, sir.

Mr. SETSER. I think we would have to look at it very carefully. I think it would be discriminatory.

Mr. MACDONALD. After you looked at it carefully, what would you think?

Mr. SETSER. I do not know. We have not done so.

Mr. MACDONALD. Well, is the State Department position that any kind of marking is burdensome?

Mr. SETSER. I do not see that there is any reason why the manufacturer should not voluntarily mark his container "Made in the United States of U.S.-produced steel." No objection whatever to that. I think it would solve the problem.

Mr. MACDONALD. Well, it might be one answer. I would like to close out by asking you this question and then I will yield to Mr. Keith if he has any questions about it, but you say this bill, and I take it similar bills, are inconsistent with our international commitments.

Mr. SETSER. Yes, sir.

Mr. MACDONALD. I would like to ask you what international commitments did you have in mind when you made that statement or Mr. Jacobson made it?

Mr. SETSER. There is a provision in the General Agreement on Tariffs and Trade in article 3 which commits the parties to the agreement to accord to imported products national treatment, after entry.

Mr. MACDONALD. After entry.

Mr. SETSER. After entry, with regard to sales, distribution, storage and use, taxation. A similar provision has been included in a considerable number of bilateral commercial treaties, treaties with the Federal Republic of Germany, Japan, and with Italy, with the Netherlands, Denmark, and with a number of other countries.

Mr. MACDONALD. And what do these international commitments have to do with this marking provision?

Mr. SETSER. This marking provision imposes upon imported products a mode of treatment different from—in addition to, and more burdensome than, the treatment that is required by law for domestic products.

Mr. MACDONALD. Then we can go to my original question about the burdensome marking. Any marking, according to the State Department, is burdensome?

Mr. SETSER. I think that, considering the objective which is sought by this bill, considering the fact that there was no proposal or consideration given to requiring any such marking until foreigners had begun to obtain a market in the United States for sheet steel, I would have to conclude that the intent is to place a burden upon the sale of imported steel.

Mr. MACDONALD. Sir, I am not the author of the bill. Mr. Curtin would defend the bill, but it is perfectly obvious that that is not the intent of the bill, to put a burden on anyone. The intent of the bill as I read it and as I understand it and as we discussed it is merely for the purpose of information—to let the purchaser know where, indeed, the container was made. It is not a restraint on trade. It is not a tariff and I wish that the State Department would understand that.

Mr. SETSER. I have read the testimony on the previous bill. Its support, in large measure, was devoted to the idea of checking the importation of foreign-made sheet steel in order to promote the sale of U.S.-made sheet steel.

Mr. MACDONALD. Was not the reason advanced, and I was not on the subcommittee at that time, that many people were purchasing these containers believing that they were made in the United States and that if they had found out they were not, they would not have purchased them? They are entitled to the information to judge for themselves whether or not they wanted a U.S.-made container or one made in Czechoslovakia or one made in Great Britain or any of the other countries that you name and then perhaps they would not choose to buy a foreign-made container. Do you say they should not have the right to know where the containers are manufactured or made, or rather where the steel comes from?

Mr. SETSER. We think they can obtain that information through the normal market procedures. They do not need Government intervention to provide it.

Mr. MACDONALD. You earlier said you were not an expert and I said I was not either, that we were just talking about it as two individuals, but I do not know what the normal market procedures are where they could find out where this was manufactured, do you?

Mr. SETSER. Yes, sir. If an oil company purchaser wishes to buy containers from a manufacturer and he wishes to say that he wants to have American steel, he can specify he wants these containers made of American steel and the market situation being what it is, there is not any producer that would not furnish it to him.

Mr. CURTIN. How is he going to know if that request is honored in the container that he ultimately gets after making such a request? There is no way that the processor who makes the steel into the container is going to have to tell the buyer, because you say he is not going to keep any records.

Mr. SETSER. I said he would have no records.

Mr. MACDONALD. Well, the thought is that this is going to add a lot of burdensome recordkeeping. Now you say this is easily done, the man that is buying the steel, ordering the steel drums or the pails will say to the manufacturer that they must be made from domestic steel. How does he know, since the person who produces that steel and makes those drums is under no obligation to so mark the steel? How is this person when he gets his drums and pails going to know his request was honored?

Mr. SETSER. I think that the standards of the American business community are such that one can depend upon honesty in treatment. Certain types of deception are now actionable under the Federal Trade Commission Act. That would be deception.

Mr. MACDONALD. Yes, but this manufacturer of these pails and drums can say he has a lot of steel in inventory. He uses the steel he has on hand. He does not know where it came from.

Mr. SETSER. Then he is deceiving his customer.

Mr. MACDONALD. But the statement was made by a previous witness that if we did have the steel inventory so that the person who used that steel could make it into drums and pails knew where it came from, it was going to be burdensome and they were very much against segregation of the source. Now, therefore, you say they should segregate the source so that some person who orders steel drums and pails from them wants domestic steel, he will know to which pile of steel to go.

Mr. SETSER. If, through the normal processes of trade, the purchaser wishes to designate the origin of the materials that are used, then if the manufacturer wants to maintain that patronage he is going to have to adjust his method of doing business to meet the requirements, but he will not be required to do so by law or by Government intervention.

Mr. MACDONALD. Then you think the manufacturer should have his steel so inventoried that he knows which is from what source?

Mr. SETSER. If he receives an order specifying that this order must be filled with containers made of U.S. steel, he should certainly take the steps necessary to segregate enough steel so that he knows that he is putting in that particular order the United States steel.

Mr. MACDONALD. You say that this is burdensome.

Mr. SETSER. The purchaser would probably have to pay for it if he wanted to insist upon having steel of a specified national origin.

Mr. MACDONALD. What is burdensome and not burdensome? At what point does it become a burden?

Mr. SETSER. Mr. Chairman, could I reiterate again the general policy aspects of the matter? The State Department and other executive agencies operating the Trade Expansion Act, the Trade Agreement Act, and so on, have made agreements with foreign governments containing concessions on trade. When the foreign countries begin to obtain a market resulting from any reduction or binding of tariffs, it seems there is a tendency then for this type of bill to be proposed so as to deny to them the advantages for which they have bargained.

Now, in the process of making international agreements it is simply not feasible for the United States to have one arm of the Government bargain to permit a foreign country to obtain a market in this country and then another arm of Government take steps which will try to counter the advantages which are to be obtained by that agreement.

Mr. MACDONALD. Well, sir, I think either rightly or wrongly, this particular branch of government does not always feel the State Department gets quid pro quo in matters of so-called bargaining with other countries.

Any questions, Mr. Keith?

Mr. KEITH. I have not been here for all of the hearing and my question may have been answered earlier. I am not certain, but I do think it is appropriate to ask. You say this would be inconsistent with our international commitments?

Mr. SETSER. Yes, sir.

Mr. KEITH. Can you delineate this at all, briefly and specifically?

Mr. SETSER. Yes, sir; I think I did so in responding to a question by the chairman. In article 3 of the General Agreement on Tariffs and Trade and in provisions in a number of bilateral commercial treaties of the United States, we have engaged with the other country that goods, once admitted into the country across the customs boundary, shall be treated in all matters relating to taxation, sale, storage, distribution and use as is the competing domestic product.

Mr. KEITH. You said "once admitted." The requirement, as I understand it, and I may be incorrect, would have to be implemented prior to admission, would it not?

Mr. SETSER. Only if we impose tariffs on imports. They are imposed at the frontier and that is a distinction from equal treatment with the domestic product because there is no custom duty assessed on that, for example.

Mr. KEITH. I am talking about the requirement that you call burdensome. Would it have to be executed prior to admission?

Mr. SETSER. After admission.

Mr. KEITH. After admission?

Mr. SETSER. Yes. After it has entered into the domestic commerce of the country.

Mr. KEITH. There is no reservation in this international agreement with reference to permitting this kind of thing?

Mr. SETSER. No, sir; not to my knowledge.

Mr. KEITH. And you think a case would lie in the World Court?

Mr. SETSER. I think it might, yes, sir.

Mr. KEITH. Thank you, Mr. Chairman.

Mr. MACDONALD. Thank you, sir.

Our next witness is Mr. Morris Hershson, president of the National Barrell & Drum Association.

#### STATEMENT OF MORRIS HERSHSON, PRESIDENT, NATIONAL BARRELL & DRUM ASSOCIATION

Mr. HERSHSON. Mr. Chairman, and gentlemen, my name is Morris Hershson. I am president of the National Barrell & Drum Association, with headquarters at 1343 L Street NW., Washington, D.C.

The membership of this association comprises dealers in and reconditioners of steel drums in 34 States in the Union. The association represents the vast majority of such reconditioners throughout the United States, whose industry will be most immediately and adversely affected by passage of the above-mentioned bills in their present form.

When we discuss steel drums, we are in the main, alluding to the 18, or 20/18 gage, 55 gallon steel drum, as that type of container constitutes probably 90 percent of our business, and is the one commonly used by the petroleum, chemicals, paint, varnish, petrochemical, food products, such as shortening, vegetable oils, et cetera, adhesives, printing ink, roofing materials, and similar industries. According to the Bureau of the Census survey of steel drum manufacturers, in the year 1963 there were manufactured in this country approximately 16 million such drums.

The function of the reconditioning industry is, as its name suggests, to recondition these drums so that they are completely reusable for the transportation of the same products for which they were originally designed. Due to technological improvements made by our industry in the past 30 years, these 18 gage, 55 gallon drums can now be reused as many as 10 to 15 times before they are finally scrapped. Our industry estimates that it reconditions between 45 and 50 million of these drums annually, thus, in effect, trebling the new drum production. Since our drums sell for less than the price of a new drum, and since the average savings per drum is between \$1.50 and \$2, the reconditioned drum saves American industry between \$75 and \$100 million a year in its packaging costs. This savings is reflected and multiplied in the prices of the products purchased by the ultimate consumer.

By this continued use and reuse of reconditioned drums, our industry is also conserving natural resources, through making unnecessary the annual consumption of additional millions of tons of sheet steel.

The reason for this brief description of our industry and its functions is to place in proper perspective the effect of the proposed bills, each cited therein as the "Steel Shipping Container Identification Act." I am referring particularly to H.R. 6182, H.R. 6647, and H.R. 6775. These three bills are practically identical in language, and require that every steel container manufactured in the United States of foreign steel bear embossed on the top head the legend:

"Steel in this container made in \_\_\_\_\_." The blank space is filled in with the name of the foreign country which was the source of the steel. The bills further provide that it shall be a crime for anyone to deface, destroy, alter, remove, et cetera, such a mark.

Our industry is not objecting to the basic concept of these bills; namely, to give the purchasers of new drums the option of buying drums made of domestic steel rather than those of foreign steel. We are taking no position, either for or against that objective. Our objection is to the form of these bills, on two grounds.

1. We believe that the bills should be amended, so that they will exempt from their provisions the reconditioning and sale of used drums. The purpose of the act is to discourage the original purchaser of the new container from buying one made of foreign steel; if the purchaser, despite the marking, buys such an "offending" drum, that product would then become part of our industrial economy, and the marking would no longer serve any purpose. The drum reconditioner should not be penalized for defacing, or obliterating, or removing any marking, since such removal is part of the process of reconditioning, and thus, an entire industry would become subject to criminal penalties for performing its economic function.

Part of our process is, in some instances, to convert closed head drums into full open head containers by removing the top head, and if it is damaged, replacing it with another head. Since that top head would bear the embossment required by these bills, the reconditioner could then be charged with removing the mark, found guilty of a misdemeanor, fined up to \$5,000 or imprisoned for 1 year, or both. It is our opinion, therefore, that section 3 should be amended by the

inclusion of a new subsection (c) which we suggest should read as follows:

(c) A steel shipping container manufactured in this country of foreign steel, having once been used and emptied, is outside the purview of this act, and no longer subject to its provisions; any defacing, destroying, altering, removing, covering, obscuring, or obliterating the marking required by subsection (a) of this section, in the process of reconditioning such container for reuse, shall not be deemed a violation of this act.

2. Our second objection to the form of these bills is in the requirement that the marking consist of "embossment." We object strenuously to such a method of marking. We believe that this method goes far beyond the objective of the bills; namely, to discourage the purchase of new drums made of foreign steel. Embossment marks the drum forever after, and creates problems for the reconditioner, both in reconditioning and sale.

Embossment depreciates the value of these drums, since buyers of drums oppose any kind of embossment, except such markings on the bottom head as are presently required by ICC regulations, such as designation of manufacturer, gallonage, gage, and year of manufacture.

Embossment on the top head would interfere with stenciling. It is also believed by our industry that embossment frequently weakens the steel structure, and is a source of potential defects in the container.

Thus, such a marking would be regulating against the ultimate reuse of these containers, and against the economies effected by such continued reuse.

These bills in their present form, requiring embossment and simultaneously making its removal a violation of the act, not only make criminals of our entire industry, but also affect them economically. Thus, the bills are making a culprit of an industry which is not the offender. We do not manufacture the drums; we do not import the steel; we do not make the decision to buy the new drum fabricated of foreign steel. Such decisions have been made long before the drum reaches our industry. Our function is simply to make this drum, already a part of our industrial economy, suitable for reuse, and thus aid in effecting substantial savings in packaging costs for a large part of American industry.

We believe that this act would achieve its purpose if it were amended, as previously suggested, first, to exempt the used drum from its provisions, and secondly, to substitute the word "stamped" or "marked" in place of the word "embossed."

Such stamping or making would furnish exactly the same notice to the purchaser of new drums as would embossment, but it would not work a hardship on the reconditioned drum industry, nor minimize the savings effected by the use of many millions of these drums annually.

Thank you.

Mr. MACDONALD. Mr. Huot?

Mr. HUOT. No questions.

Mr. MACDONALD. Does anyone have questions of the witness?

Mr. CURTIN. Yes, I do, Mr. Chairman. Mr. Hershson, I have listened to your statement with considerable interest. I shall discuss it with the committee at such time as there may be an executive meeting,

particularly the suggestion of an amendment regarding the reuse of the article. I do, however, have some difficulty following your second objection, that the embossment on the container, setting forth the name of the country from which the steel came, is a detriment to your trade. Why do you think that is so?

Mr. HERSHSON. Well, in the first place, Mr. Congressman, any embossment of any kind on the drum makes the drum less valuable than it would be without the embossment.

For example, if we bought a drum which had embossed on the top head, "Standard Oil" we would have a most difficult time getting our full price for that drum, no matter the quality of the drum because of the embossment.

Mr. CURTIN. If I could interrupt you, let me say that I can understand a situation where a purchaser buying a reconditioned drum to ship therein a food product would not want the name of, say, Standard Oil Co., on it. But I do not see how that same argument would apply if all that is on the drum is the name of the country from where the steel came. How is that going to adversely affect the purchase?

Mr. HERSHSON. The top head is generally the place where an industrial filler stencils the material on that drum, the information which is needed both for transportation and for the use of the ultimate purchaser; for example, the number of gallons, the material weight, et cetera. Embossment usually is in the way of stenciling and so on.

Mr. CURTIN. If I can again interrupt. Supposing the embossment was required to be on the side of the container? Would you still have the same objection?

Mr. HERSHSON. Not that second objection. I would still have the first objection because the customer does not want any embossment on his drum.

Thirdly, Mr. Congressman, as indicated in the statement there is belief among technical people in our industry that embossment stretches steel. It weakens steel, at best. We would prefer a drum which is completely unembossed. That we cannot have because of the bottom head which has a few symbols on it designating what I have stated in my statement.

Mr. CURTIN. So you do have some embossment on all drums now?

Mr. HERSHSON. On the bottom head.

Mr. CURTIN. And has it substantially weakened those drums?

Mr. HERSHSON. May I say, Mr. Congressman, that the leakage claims which occur in this country in drums occur because of fissures in the bottom head. They do not occur in the top head where there is no embossment. They rarely occur in the sides where there is no embossment. They occur in fissures in the bottom head and there is belief in our industry that those fissures are to some extent caused by embossment, the weakening of the steel structure. There is a difference of opinion on this and I will say so frankly to you, but that is the belief of some.

May I make one further point? It also causes problems for the following reason. As I have indicated we convert bung-type drums, closed-head drums to open-head drums especially where by some chance the top head has been damaged in being dropped off a truck or for some other reason. We cut out this top head and we create an open head drum by placing a new lid on that drum.

Now, by cutting out this top head and removing it, we might be challenged with a violation of the act because we have removed the marking.

Mr. CURTIN. But if the bill was amended so the embossment was on the side, that argument would no longer exist.

Mr. HERSHSON. No. If we removed the head, the argument would not exist. May I ask you a question? Is that permissible?

Mr. CURTIN. Surely.

Mr. HERSHSON. What is the distinction between giving notice to a purchaser by stamping or giving notice by an embossment?

Mr. CURTIN. Well, the main difference is that the stamped marking would be more easily obliterated than the embossment.

Mr. HERSHSON. Before the purchase, or after the purchase, Mr. Congressman?

Mr. CURTIN. Right after the original purchase; yes.

Mr. HERSHSON. But if the original purchase already took place then the marking no longer serves any purpose.

Mr. CURTIN. Yes, it does because the person who buys that drum is to know whether or not it is made of a foreign steel.

Mr. HERSHSON. Well, he knows it by the notice stamped on the drum. He has already been advised because the stamping on the drum tells him it was made in England or some other country. I frankly cannot see the distinction from the viewpoint of the objective of the act.

Mr. CURTIN. I would like to get back to the one thing that is still puzzling me somewhat and that is your statement that a purchaser of a drum is not going to pay as much for that drum if it has embossed on it that the steel of which it was constructed was made in the United States.

Mr. HERSHSON. I am making that statement based on our experience in the past in which purchasers have told our industry they do not want any embossment on drums.

Mr. CURTIN. But they were speaking of names of companies on the drums or a particular content in them; were they not?

Mr. HERSHSON. They were speaking of that and also of the fact that one drum had embossed on it that this drum had originally been used for product X and they wanted to use product Y or this drum had originally been the property of the U.S. Army.

Mr. CURTIN. That is a little different argument.

Mr. HERSHSON. They wanted—well, the fact of the matter is, Mr. Congressman, that they will pay less for an embossed drum than they will pay for one that is not embossed.

Mr. CURTIN. But the embossments of which you are speaking are not in line with what we have in mind here. This is not an embossment that says this drum can only be used to store kerosene, or a detergent, or food matter. This says that this drum was made from steel produced in such and such a country.

Mr. HERSHSON. I agree it has a different kind of embossment. To get back to the embossment on the side, we, in the conversion of bung drums to open head drums, when we remove the lid previously and put a new lid on, we treat it as an open head drum and in order to remove the dents from an open head drum, we reroll the surface of the body of this open head drum so that it goes back as far as possible

to its original contour and shape. In such rerolling we may obliterate or deface the embossment on the side and again would be challenged with a removal of the mark.

Mr. CURTIN. That would take some pretty fine rerolling.

Mr. HERSHSON. If you could see our rerolling operation you will find that ours is pretty fine. We have very expensive equipment and for that very purpose, and so I think firstly that your objectives as proponents of this bill would be served if you exempted our industry from its provisions entirely because we do not handle new drums and secondly, the marking or stamping would be just as equally effective for giving notice to a person as embossment and would therefore get by all of this problem.

Mr. CURTIN. We will certainly consider your arguments.

Mr. HERSHSON. Thank you, sir.

Mr. MACDONALD. Our next witness is Mr. Robert Kent who will present the statement of Livingston Keplinger, president of the Steel Shipping Container Institute.

**STATEMENT OF LIVINGSTON KEPLINGER, PRESIDENT OF THE  
STEEL SHIPPING CONTAINER INSTITUTE, INC., PRESENTED BY  
ROBERT KENT, ESQ., COUNSEL**

Mr. KENT. Mr. Chairman, I am Robert Kent; I am an attorney with Breed, Abbott & Morgan, counsel to the Steel Shipping Container Institute.

Mr. Chairman, Mr. Keplinger, the president of the institute, intended to appear today before the committee, but unfortunately, the annual meeting of the institute is taking place on the same day and he is unable to be here. Therefore, I would like to read his statement and make myself available for any questions you may have about this bill.

Before turning to his statement, I would like to also make mention of two manufacturers of steel shipping containers, representatives of which appeared at the hearings in the last session of Congress and strongly supported this bill. They also have a prepared statement which they wanted to make at this particular hearing but likewise, they are at the annual meeting. The two that I refer to are the statement by Lawrence F. McKay, executive vice president of the Ohio Corrugating Co. of Warren, Ohio. The Ohio Corrugating Co is a small, single company place with about 200 people and it is, of course a totally independent small producer of steel shipping containers. It is in no way connected with the basic steel producer.

Again, I make mention of the fact that his statement which outlines some of the problems arising from the use of imported steel in this particular industry.

Likewise, I have a statement from Bruce R. Aton, vice president, marketing, of the Container Division of the Rheem Manufacturing Co. This is also an independent producer of steel shipping containers; a larger one. They have nine plants located from coast to coast and employ about 1,300 persons. I would like to emphasize these companies are in no way connected with the basic steel industry. They are independent producers of the steel shipping containers. They have to purchase their steel on the marketplace either from

producers in the United States or (in the future) possible from foreign steel producers if the trend continues.

I would like to introduce these for the record, if I may.

Mr. MACDONALD. Without objection, it is so ordered.

(The statements of Messrs. McKay and Aton follow:)

STATEMENT OF LAWRENCE F. MCKAY, EXECUTIVE VICE PRESIDENT, THE OHIO CORRUGATING CO., WARREN, OHIO, IN BEHALF OF H.R. BILLS 6182, 6647, 6775

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

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

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

We operate as modern and as efficient a plant as there is in our industry and pay our employees relatively the same wages and benefits as basic steel under our own United Steelworkers contract. We are constantly fighting costs to remain competitive and there are just no means by which costs could be further reduced sufficient to meet this foreign steel competition except to use it in lieu of domestic materials.

Warren, Ohio, is a steel town and we live close to the havoc that an expanded use of foreign steel could create in our own local economy which is currently having its own problems with its attendant unemployment, relief, etc. Even more selfishly is the fact that the American steel industry is one of the biggest consumers of products that are shipped in steel containers, so it follows that the less the basic industry produces, the more we, as a container manufacturer, would suffer.

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

STATEMENT OF BRUCE R. ATON, VICE PRESIDENT, MARKETING CONTAINER DIVISION, RHEEM MANUFACTURING CO., IN SUPPORT OF THE STEEL SHIPPING CONTAINER IDENTIFICATION ACT, H.R. BILLS 6182, 6647, 6775

I am Bruce R. Aton, vice-president—marketing, for the Container Division of Rheem Manufacturing Co. I appear here today on behalf of my company to again emphasize our support of the Steel Shipping Container Identification Act.

Rheem Manufacturing Co. is an independent producer of steel shipping containers with nine plants strategically located from coast to coast. We employ approximately 1,300 persons in this particular division manufacturing steel containers.

We are cognizant of the continued usage of foreign steel for containers which increases appreciably each year. As I stated on my previous appearance before this committee, we have received offers and are still receiving offers of savings which range from \$12 to \$18 per ton. The variance depends upon the port of entry used. Translating this to a per drum basis, the saving is \$0.30 to \$0.50. Since steel represents 95 percent of the raw material cost which is over 50 percent of the selling price of the container, this cost differential is of extreme importance to us.

Moreover, steel shipping containers as manufactured by us or any other manufacturer in the industry must conform to the Interstate Commerce Commission Regulations, Uniform Freight Classification Rules or the National Motor Freight Classification Rules. Thus, because of the standards set for steel shipping containers, there isn't much we can do to alter the drum to meet competitive situations.

In addition, we feel we are as efficient a producer as anyone in our industry; thus there are no further economies we can make in this area to offset the competitive advantage of those who use foreign steel.

The severe competitive situation which continues to exist in our industry leaves us with two alternatives: (1) operate our business at what we consider unsatisfactory profit levels or (2) to use foreign steel to compete. Because we believe that when foreign steel is utilized for any great portion of our business, it has an adverse effect on the American economy and upon our own market operations, we urge that consideration should be given to granting a measure of protection to those companies who desire to continue using American steel.

Therefore, we strongly endorse the Steel Shipping Container Identification Act.

Mr. KENT (reading). I am Livingston Keplinger, president of the Steel Shipping Container Institute, Inc. I am appearing today on behalf of the institute to again strongly endorse the Steel Shipping Container Identification Act. As I am sure that this committee is aware, a similar piece of legislation was unanimously reported out of this committee and passed by the House of Representatives in the last session of Congress. Unfortunately, the Senate did not have sufficient time to act upon it before it adjourned.

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

It should be emphasized at the outset that the institute has a wide diversity in the size of its members. Of particular significance with respect to the present bill is the fact that only four of our members are owned by major basic steel companies; thus, the great majority of our members are independent purchasers of steel used to manufacture steel shipping containers. Indeed, the largest national multiplant operation is an independent company whose stock is listed on the New York Stock Exchange.

The products of the steel shipping container industry are "drums" and "pails" used primarily in transportation. A "drum" is defined by the Department of Commerce as any single walled container or bilged container of 13 to 100 gallons capacity constructed of steel sheet inclusive of all gages.

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

The estimated annual capacity of the industry is 65 million heavy drums, 25 million light drums, and 130 million pails. It is estimated that peak operation of the steel shipping container industry would require 3,100,000 tons of steel annually. For reasons which will be developed in due course, the production of steel shipping containers has been substantially less than full capacity.

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

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

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

This situation allows the use of cheap foreign steel in containers without any indication that such steel is, in fact, being used. When a company uses foreign steel it acquires a significant economic advantage in the form of the differential between the cost of foreign and domestic steel—this price differential may affect the selling price of a 55-gallon drum by 25 to 40 cents or 5 to 7 percent of the total selling price thereof.

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

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

First, the steel shipping container industry has been depressed for some time. During the past 5 years, approximately 33 $\frac{1}{3}$  percent of the total capacity of our industry has been utilized. Quite naturally, price competition has been severe and profits cut to a minimum. Thus, it is virtually impossible, particularly for many smaller firms, to cut prices still further to meet this increasing advantage of their competitors who have turned their backs on domestically produced steel while at the same time selling their own products to domestic purchasers.

Second, all steel shipping containers within the scope of the proposed act are subject to the jurisdiction of the Interstate Commerce Commission and must be approved for use by the official, Southern, Western Classification Committees and by the Bureau of Explosives as agents for the railroads and by the National Classification Board for shipments by truck.

After securing the approval of these groups, steel shipping containers must meet a detailed set of specifications adopted by the American Standards Association. These specifications cover everything from gage and physical specifications of the steel sheet and quality and thickness of the paint, to the closing devices to be used.

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

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

For instance, the institute has been actively engaged for six years in a research program to develop a new light-gage 55-gallon drum. If, as it is hoped, shipping tests prove to be satisfactory in the near

future it is expected that approval of one agency may be obtained at the end of this summer, and, after an additional 6-month period, full approval may be secured. Thus, development of this product up to ICC approval will have taken 6½ years; an additional year will then be required to get the new container into production.

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

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

The effect to the American economy of a continued increasing use of foreign steel in this industry which has consumed 1,250,000 tons of steel a year or 1¼ percent of all finished steel produced in the United States is obvious. Indeed, the last 5 years have shown an accelerating trend toward greater and greater amounts of hot and cold rolled sheets being imported.

Department of Commerce figures show that the average total tons of such products imported into the United States for each year during the period 1959-62 was about 180,240 tons. In 1963, the total amount of hot and cold rolled sheets imported into the United States had snowballed to 527,000 tons and, in 1964, to 1,122,590 tons.

Thus, the trend toward use of imported hot and cold rolled steel sheets continues at an ever-accelerating pace and the problems resulting therefrom for the manufacturer of steel shipping containers become more critical.

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

This act is intended to allow the purchasers of steel shipping containers to learn the source of the steel used in the container. Of course, it is not anticipated that many domestic purchasers will be inclined to buy containers made from American steel, but the decision will be up to the customer based upon all of the business considerations involved in such a situation.

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

The recordkeeping, enforcement, and criminal penalty provisions in the act are similar to the previously enacted labeling acts covering

wool products, fur products, and textile fiber products administered by the Federal Trade Commission.

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

While we are not the direct beneficiaries of the act as it applies to the basic steel industry and its employees who produce the 1 million or more tons of steel used in our industry each year, we unhesitatingly acknowledge our deep interest in the welfare and continuing prosperity of the basic steel industry and the prevention of the loss of jobs by its working people in the United States.

Moreover, the accelerating trend in the importation of steel continues to contribute to the balance-of-payments deficit and the consequent outflow of gold from the United States. We submit that the enactment of this act would contribute in some degree to rectifying this imbalance and the outflow of gold resulting therefrom.

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

Thank you, very much.

Mr. MACDONALD. Mr. Huot?

Mr. HUOT. You made some mention about specifications. You said something about the gage and I assume these same specifications have to be met regardless of where the steel comes from.

Mr. KENT. That is correct. These are recommended specifications by the American Standards Association which I am informed are adhered to by the industry.

Mr. HUOT. Regardless of whether the steel is foreign or domestic?

Mr. KENT. That is correct.

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

Mr. MACDONALD. Mr. Curtin?

Mr. CURTIN. No questions.

Mr. MACDONALD. I just have one. You say that a manufacturer developing a new design has to go through a number of new designs and has to be approved by a number of regulatory agencies. I was wondering which bodies you had reference to that you describe as quasi-regulatory bodies on page 5 at the top of your statement.

Mr. KENT. Well, of course, the reference here is to these official Southern, Western Classification Committees, and so forth. I believe that was the reference to quasi-regulatory committees that I had in mind.

Mr. MACDONALD. I do not follow you.

Mr. KENT. I believe the reference that you are pointing to there is referring to the Official Southern and Western Classification Committee, the Bureau of Explosives and the National Classification Board.

Mr. MACDONALD. The Bureau of Explosives obviously is a regulatory agency, not quasi.

Mr. KENT. I stand corrected then. I might also add we, of course, have specifications adopted by the American Standards Association which is not a governmental body as such. These are specifications which they recommend that are the uniform practice in the industry or virtually uniform in the industry.

Mr. MACDONALD. And the last thing, and I do not mean to keep you, but the last thing was I could not help but contrast your statements about the outflow of gold which results from the importation of foreign steel with that advanced by other witnesses which have preceded you as to the fact that at the present time we are still selling more than we are importing and that we have a favorable balance of trade. I was wondering if you would like to elaborate any more on that?

Mr. KENT. There was an excellent article in the Wall Street Journal on April 20, 1965, and in this article it is pointed out that the United States for many years exported the greater value of steel than it imported. However, beginning with about 1962, there has been a constant increase in the deficit, that is the greater amounts of steel products are being imported at the present time than are being exported by our domestic producers. This has become greater with each year.

Let me quote the article:

Although mill and analysts figure steel imports will jump to a record 7.5 million tons this year, a rise of more than 15 percent from 1964 on top of an 18-percent increase that year and the 13-percent increase in 1963, an inflow of that size would lower U.S. production about 9 percent from what it would be if there were no imports. It also would hurt Johnson administration efforts to end the balance-of-payments deficit; excess of money going out of the United States over money coming in. Last year, foreign trade in steel contributed \$150 million to the deficit with imports valued at \$750 million outpacing American steel exports valued at \$600 million.

I think this points up the situation in the steel industry. Again, we represent the steel shipping container industry but I know the basic steel industry likewise indicated their support on the bills submitted in the last session and there is every indication that they will again support them this time.

This does point up the situation as it presently exists in the basic steel industry and needless to say, points up the consequent loss of jobs to our working people.

Mr. MACDONALD. Thank you, very much.

Mr. CURTIN. I do have one question, Mr. Chairman. Is the membership of the Steel Shipping Container Institute confined to the manufacturers of new steel containers or does it also take into membership those persons who recondition steel containers?

Mr. KENT. No, the association is made up of manufacturers of new steel shipping containers.

Mr. CURTIN. Thank you.

Mr. MACDONALD. Thank you, very much.

Our next witness will be Mr. Roger G. Evans, president of the Evans Cooperage Co., of Harvey, La.

## STATEMENT OF ROBERT G. EVANS, PRESIDENT, EVANS COOPERAGE CO., INC., HARVEY, LA.

Mr. EVANS. Gentlemen, I wish you would ask me some of the questions you asked some of the other people who were not able to answer them to your satisfaction.

Mr. MACDONALD. I do not think we can do that with the time limitation we are under.

Mr. EVANS. First, as to the embossing of the drums.

Mr. MACDONALD. I take it you are not unionized.

Mr. EVANS. We were unionized by the Steel Workers at one time, Teamsters another, and the Woodworkers at another, and there may have been another one in there.

Mr. MACDONALD. But I take it at the present time you are not.

Mr. EVANS. We are not. The last one was the Steel Workers.

Mr. MACDONALD. And I take it you had an unfortunate experience with them.

Mr. EVANS. No; the union membership did. The Steel Workers wanted to buy me off, asking me if I would drop a suit against them in consideration for their dropping their membership and I refused.

Mr. MACDONALD. Perhaps it is just because I do not know your business very well and I confess I do not, but I do not really see your concern inasmuch as you are presently relying on foreign steel to make your product, are you not?

Mr. EVANS. To a large extent, but not entirely.

Mr. MACDONALD. In the main, you do rely on it.

Mr. EVANS. We use more foreign than domestic.

Mr. MACDONALD. How would this bill change that? Would you still rely on foreign produced steel?

Mr. EVANS. Certainly would, but it would change it.

Mr. MACDONALD. How would it change it?

Mr. EVANS. Well, it would change it in many respects. First, it would change it in many ways. It would increase our cost considerably, not just a little bit either. It would increase our cost because first, we would have to put extra embossing in the drums and in embossing drums you sometimes ruin some of the material. This is an added cost, the cost of the dies is an added cost, but that is rather incidental to the other costs.

This bill, if I understand it correctly, would require that I keep track of every piece of steel that I use and every drum that I manufacture for over 3 years later when some regulatory agency send a member in and says you had a shipment of 123 drums 3 years ago. Where did this steel come from? So every drum I produce must be recorded and kept individually. We do not have to do this now.

Mr. MACDONALD. You do not keep any records?

Mr. EVANS. We do keep records. We do not keep a record of what steel goes into the drum. We do not keep that.

Mr. MACDONALD. But you keep records of when you place orders? I am not a businessman but when you place orders do you not put in the file how much you ordered?

Mr. EVANS. Oh, yes.

I will proceed with a letter that I wrote to Mr. Oren Harris if I may, Mr. Chairman.

The writer is appearing on behalf of the Evans Cooperage Co., Inc., in opposition to bills 6182, 6647, and 6775.

Our understanding of these bills is that they will require, if passed that manufacturers of steel shipping containers be required to permanently emboss shipping containers made all, or in part of foreign steel with a notation that the containers were manufactured from foreign steel, naming the country of origin of the steel.

As manufacturers of 55-gallon steel drums used as shipping containers, we are unalterably opposed to this, or any legislation that would harass or restrict the users of foreign steel in the manufacture of steel containers sold to the general public.

The Steel Container Institute which purports to represent the steel drum manufacturing industry favors these bills; however, the Steel Container Institute is dominated by the major steel drum producers in this country, most of which are owned by producers of steel. Because of this, they can hardly give proper representation to the small independent manufacturers of steel drums which are most affected by this proposed legislation. Such manufacturers of steel drums are United Steel Products Co., owned by U.S. Steel, Inland Steel Container Co., owned by Inland Steel, Jones & Laughlin Steel Corp. Container Division, owned by Jones & Laughlin Steel Co., and Republic Steel Corp. Container Division, owned by Republic Steel Corp.

In addition, there is the Rheem Manufacturing Co. at one time partially owned by Bethlehem Steel and which, at this time, is one of the largest manufacturers of steel drums in the world, having, in addition to numerous plants in the United States, drum manufacturing plants throughout the world.

These giants, that do in effect control the Steel Container Institute, produce by far most of the steel drums manufactured in the United States.

Despite their advantages of a long position in the industry, almost unlimited capital, reciprocity, and first call on raw materials during times of shortages, they apparently feel that these enormous advantages are not sufficient to perpetuate themselves in their past position. They, therefore, seek legislation which would harass the independents purchasing foreign steel as a means of protecting their own interest.

When our firm started producing steel drums approximately 10 years ago, suppliers of foreign steel were not available to us. It was with considerable difficulty that we were even able to purchase steel from domestic suppliers; and, when we managed to secure a supply from one mill that had no steel drum manufacturing affiliates, it was under conditions that were indeed, adverse.

This mill was not able to produce all of the types of steel that we needed; however, fortunately for us, in the succeeding years, a surplus of capacity developed in this country and we managed to make contacts with three other steel suppliers, two of which owned steel drum manufacturing subsidiaries.

During the steel strike of 1959, we learned by bitter experience what can happen to a small independent drum manufacturer who purchases steel from a mill having a subsidiary company that manufactures steel drums. We saw steel which was ordered by ourselves on a firm basis and promised to us diverted to a local competitor of ours which was owned by a steel mill.

In dealing with domestic mills of this type, we have experienced numerous instances of indifference to our needs and incompetence in handling our account which convinces us that a truly competitive atmosphere in the steel industry can properly exist only if reasonable competition in the form of imported steel continues.

The plight of the independent drum manufacturer becomes more and more difficult as these giants, in their attempts to dominate the market, progressively reduce the price of steel drums to independent users who are not influenced by reciprocity while, at the same time, they succeed in getting substantially higher prices for the same type drum from those firms that they are able to influence by virtue of their position reciprocitywise. These giants purchase enormous amounts of petroleum products and chemicals, thereby enabling them to use this leverage in denying the small independents normal access to a most substantial amount of container business.

Drum manufacturers are handicapped by the fact that their products sell as a completely manufactured article, including delivery, at as little as 11 cents per pound based on the amount of steel used in the drum. A 55-gallon steel drum probably sells for less money per pound of weight than any other manufactured article in the world.

Access to foreign steel assures the independent manufacturers of drums a more economical and more dependable supply of steel so essential to their survival in business.

Unlike an automobile or an appliance or many manufactured articles fabricated from steel selling at 5 to 10 times the price per pound cost of the drum, the steel drum manufacturer is unable to absorb the cost of extensive warehousing or the payment of premium prices during times of shortage.

Perhaps some of you are wondering why these giant steel producers have singled out the steel container industry in such a discriminatory fashion when they could have used other industries, including the automotive industry as their target. Why do they not propose that automobiles that use foreign steel in their manufacture be embossed on the fender or the hood with notations similar to what they expect a drum manufacturer to emboss?

There are perhaps a number of reasons for this, but we must consider the fact that the steel industry does not manufacture automobiles and, therefore, needs the respect and friendship of the automotive industry as a consumer of their sheet steel.

The collapse of a large segment of the automobile industry would be a catastrophe for the steel industry.

The collapse of a large segment of the independent drum manufacturing industry would, however, pose no problems but rather would assist them in their monopolistic aim in controlling the drum industry.

Some time ago, a representative of the United States Steel Corp. did, in the writer's office, most piously declare that this bill would assist American industry and American labor by eliminating foreign competition.

The writer asked this United States Steel representative why United States Steel felt so strongly about foreign imports if they, United States Steel, continued to purchase foreign iron ore in the manufacturing of the steel. The writer also asked would it not be a good idea

for United States Steel to emboss its steel sheets made from such foreign ore with a statement to the effect that the steel was produced from foreign material, naming the country of origin of the ore.

Needless to say, no satisfactory answer was forthcoming. We make no apology for purchasing foreign steel used in the manufacture of our drums. We purchase foreign steel because in it we receive a quality product at fair prices with a continuance of uninterrupted supply. Our foreign supplies treat us with courtesy and with consideration and, when they accept an order, they deliver at the time and price specified in the purchase order.

We wish that we could say this about the American steel industry.

We think that these reasons are sufficient justification and even if such purchases to some degree were detrimental to United States Steel or the United Steelworkers Union of America, we feel that we would still be justified.

It is our belief, however, that the purchase of foreign steel affords the steel producers and the Steelworkers Union a taste of competition which, although they may not like it, will probably in the long run react to their benefit.

Mr. MACDONALD. I take it the only steel manufacturing business you are in is the manufacture of steel barrels.

Mr. EVANS. We recondition them and fill them for export largely. We operate three businesses as a unit.

Mr. MACDONALD. Three businesses?

Mr. EVANS. We recondition steel drums and we manufacture steel drums and we fill some of these drums for export with the customer's product. The customer would ship to us lubricating oils and we package them and deliver them shipside.

Mr. MACDONALD. In your manufacturing process, the only thing you manufacture is the drums?

Mr. EVANS. That is correct.

Mr. MACDONALD. When you order steel from W, X, or Y company abroad, do you not keep records of how much you order?

Mr. EVANS. Certainly.

Mr. MACDONALD. And do you not keep track of how much you paid for it?

Mr. EVANS. Certainly.

Mr. MACDONALD. And how many barrels were turned out of it?

Mr. EVANS. We do not keep a record.

Mr. MACDONALD. You do not know how many barrels you put out of it, say for last month or whatever fiscal policy you follow?

Mr. EVANS. No, I do not know how many barrels we produced but I can get the information. We do have that information.

Mr. MACDONALD. My point is that you already do keep those records.

Mr. EVANS. Not the records required in the bill, no.

Mr. MACDONALD. You keep records as to how much steel you order abroad, how many barrels you turn out?

Mr. EVANS. Yes, we do.

Mr. MACDONALD. What other records would be called for under this bill that you do not already have?

Mr. EVANS. We would have to trace this steel from the time we purchased it until it went into the drum. You see, as it is now we could mix foreign and domestic steel in the drum. We do not keep these records and these records would be costly to keep.

Mr. MACDONALD. I thought you said the big giants shut you off.

Mr. EVANS. I did not say that.

Mr. MACDONALD. And because of their irresponsibility.

Mr. EVANS. I said their indifference.

Mr. MACDONALD. Their indifference and their irresponsibility because as I understood you you said that you ordered some steel and they gave you a firm promise and did not deliver it.

Mr. EVANS. You are correct, and I apologize.

Mr. MACDONALD. And you say that foreigners treat you with courtesy and consideration and they deliver at the time and price specified in the purchase order.

Mr. EVANS. Yes.

Mr. MACDONALD. So actually, your suppliers are foreign suppliers; are they not?

Mr. EVANS. No; they are both domestic and foreign.

Mr. MACDONALD. Can you break it down, percentagewise?

Mr. EVANS. I would say we use perhaps—

Mr. MACDONALD. First, why do you go to companies that are irresponsible for your supply?

Mr. EVANS. Well, that is what I am trying to point out to you.

Mr. MACDONALD. That is what I would like to hear.

Mr. EVANS. We are trying to get away from the people that are irresponsible and you are trying to make it impossible for us. That is not you, yourself, but the proponents of this bill are. I think you are supposed to be impartial.

Mr. MACDONALD. I have an open mind and you are filling it and that is why witnesses such as yourself are here. But it would seem to me a foreign business and the foreign people were selling you good steel at a cheap price and were fair and considerate, and so forth, that you would trade with them.

Mr. EVANS. I do.

Mr. MACDONALD. There is nothing in this bill that would in the slightest prevent you from continuing that trade.

Mr. EVANS. When you say this you do not know the drum manufacturing business.

Mr. MACDONALD. Maybe you are saying it because you do not understand the bill. There are two ways to look at this.

Mr. EVANS. I am not talking about myself.

Mr. MACDONALD. How would it stop you from purchasing steel?

Mr. EVANS. It would not stop me completely. It would reduce the amount I could purchase.

Mr. MACDONALD. It would reduce it?

Mr. EVANS. Yes; and substantially.

Mr. MACDONALD. On what grounds?

Mr. EVANS. Several. One is I mentioned the additional cost. Cost is a factor.

Mr. MACDONALD. You said it was insignificant. You said the embossing was insignificant.

Mr. EVANS. I said insignificant as compared to the other costs. The other costs are accounting. I did not get to the balance of the cost. We have this to be considered. First, the drum that was embossed and more particularly so on the head would have less value when sold as a good used container. So if it has less value when you sold

it as a used container, it very often has less value when sold as a new container. An automobile that does not have a trade-in value does not have much value initially.

Mr. MACDONALD. Then you dispute the testimony that was given earlier that all barrels are presently embossed?

Mr. EVANS. No; I am not disputing that. You said additional embossing particularly on the head of the drum. I agree with Mr. Hershson's testimony. I am a reconitioner too and know something about this and I agree with him. I merely add to it.

Mr. MACDONALD. I was impressed with his testimony.

Mr. EVANS. If we were required to emboss a drum on the head, if this drum was manufactured from foreign steel say from Japan, our competition, these giants that I refer to who are really steel warehouses who sometimes operate at a loss to sell their steel; namely, Inland Steel is one of them, they would go to many of the people that we sell and pressure them saying you are buying drums made with foreign steel. They are precisely pressuring and reciprocity goes a long way. These steel mills buy tremendous amounts of fuel and lubricants and chemicals and we try to sell one of the large consumers of goods, such as the petroleum industry, we have a hard time because these people are inhibited by reciprocity. We are denied a substantial part of the normal business with the large petroleum industry. We get some of it. We get it under the most difficult conditions and gentlemen, I assure you that reciprocity plays a big part in the sale of steel drums by these organizations that produce steel. It makes it easier to influence them when the drum is stamped.

Mr. MACDONALD. I do not mean to interrupt you, but that really does not have anything to do with the bill we are considering here, the economics of how the American business is run. If we get into that, these hearings will run for a couple of months.

Mr. EVANS. If you force me to emboss this drum stating this is made from foreign steel you weaken my efforts to sell a drum in areas where reciprocity is a factor. This is a big thing. This is important to us.

Now, the Steel Container Institute—their statement, and I will read from their statement, and this is the Steel Container Institute that is really for this bill—they say indeed, as time passes, it may be that the importation of foreign steel may well afford the only means by which members of our industry, particularly the smaller members, may remain in business. The Steel Container Institute says there is a good chance that the only way the small independents can remain in business is by buying foreign steel. I am saying this and they are saying it.

Do you think it is possible maybe they are right as well as myself? That is their statement.

Mr. MACDONALD. I have no further questions.

Mr. CURTIN. I have just one or two. Even if they are right and you are right, it would make no difference to this particular piece of legislation, because in no way does it restrict you from getting that foreign steel.

Mr. EVANS. It does restrict us.

Mr. CURTIN. Restricts you?

Mr. EVANS. Yes.

Mr. CURTIN. How?

Mr. EVANS. It reduces the amount we can buy.

Mr. CURTIN. Restricts you?

Mr. EVANS. Certainly does.

Mr. CURTIN. You say this legislation restricts the amount of foreign steel that you can buy?

Mr. EVANS. Yes.

Mr. CURTIN. How?

Mr. EVANS. Because it restricts the amount of drums that we can sell with foreign steel by putting restrictions on the use of foreign steel. When you restrict the use of steel you restrict the possibility of our using it in the way we would like to use it. Why do you think they want this bill?

Mr. CURTIN. Will you be more specific.

Mr. MACDONALD. We know why you do not want it.

Mr. EVANS. I want to stay in business. This is important and if I appear to be somewhat cross about this, I am, and for a good reason—it is the very existence of my business which is jeopardized by this bill.

Mr. CURTIN. I presume that you are not a member of the Steel Institute.

Mr. EVANS. I am not.

Mr. CURTIN. I assumed that. Now, do you ever have any occasion where your customer gets in touch with you and says that he wants to buy your steel containers, but he wants them made from American steel?

Mr. EVANS. We had one occasion, yes.

Mr. CURTIN. What do you do under those circumstances?

Mr. EVANS. We say we will make it from American steel and charge a higher price for the drum.

Mr. CURTIN. Do you keep your steel sheets in separate piles?

Mr. EVANS. In instances, we do.

Mr. CURTIN. What do you mean?

Mr. EVANS. In this one instance I mentioned there was one of our customers who said he wanted to use American steel. So we said to him this will cost us more money and impose upon us a burden. But we said we would do it if he would pay us for it, so they are paying extra. So I am getting paid for doing the extra work.

Mr. CURTIN. When you get steel into your warehouse, do you put it in separate bins, or piles, so that you know, when you look at it, where it is from?

Mr. EVANS. By point of origin, no.

Mr. CURTIN. So if somebody should ask you for a steel container made from American steel, what would you do?

Mr. EVANS. We would have to segregate it at extra cost and we would charge for that.

Mr. CURTIN. You would have to buy additional steel? You would not use that in your warehouse?

Mr. EVANS. At times, we might or might not. Our inventory picture changes. At times we may have the domestic steel in stock over in that pile, or maybe not.

Mr. CURTIN. But I understood from you that when you look at the steel in your warehouse you have no way to know. You cannot tell where it came from.

Mr. EVANS. By appearance, you cannot normally, no.

Mr. CURTIN. Let us take a situation where you have steel sheets in your warehouse.

Mr. EVANS. Yes.

Mr. CURTIN. A purchaser gets in touch with you and says he wants steel made from American steel. Do you have to then go to the market and buy additional steel or do you take some of it out of the warehouse?

Mr. EVANS. It depends on the circumstances. At one time we may not purchase steel. At other times, we will have to buy more.

Mr. CURTIN. I am sorry that I do not seem to be making myself clear. We are assuming a situation where you have a warehouse full of steel sheets.

Mr. EVANS. Yes.

Mr. CURTIN. You say you do not segregate it. You do not know which is foreign steel and which is American. Some customer gets in touch with you and he wants some barrels made of American steel. What do you do?

Mr. EVANS. Well, segregate the steel and charge him additional money for so doing.

Mr. CURTIN. How do you segregate it if you do not know where it came from?

Mr. EVANS. In that instance we do.

Mr. CURTIN. How?

Mr. EVANS. Merely when the steel comes in, you put it in this corner instead of that corner.

Mr. CURTIN. Then you would get an additional order of steel sheets to fill the order when such customer asks for steel of American origin.

Mr. EVANS. If there was no steel in the corner.

Mr. CURTIN. I certainly am not getting my question across.

Mr. EVANS. What I am saying is we have a customer who says to us he wants to buy American steel. Actually, the way he says it, he gives us an order for 50,000 drums. You buy steel for 50,000 drums.

Mr. CURTIN. You have to take a hypothetical situation, a warehouse full of steel.

Mr. EVANS. Right.

Mr. CURTIN. You have said that you get the steel sheets and put it in that warehouse.

Mr. EVANS. Right.

Mr. CURTIN. You do not segregate it. You do not know which is your foreign and which is domestic steel.

Mr. EVANS. That is right.

Mr. CURTIN. We have now a situation where you have a warehouse full of steel from which you can make these steel containers.

Mr. EVANS. Yes.

Mr. CURTIN. You get an order which designates it must be made from American steel.

Mr. EVANS. Right.

Mr. CURTIN. What do you do?

Mr. EVANS. First, we would have to determine if we had domestic steel. If we did not, we would have to order the domestic.

Mr. CURTIN. How would you know if you had domestic steel or not?

Mr. EVANS. We would have to go into the plant, inventory it, possibly move some of it until we found sufficient domestic steel to furnish

this customer, or we would have to buy the steel. In some instances, we would have it and in others we would not.

Mr. CURTIN. If you look at two sheets of steel can you tell which is foreign and which is domestic?

Mr. EVANS. No way to tell.

Mr. CURTIN. That is all.

Mr. MACDONALD. Thank you, very much.

I have received word that the subcommittee has received permission from the House to sit while they are in general debate.

We will now recess until 2:30 this afternoon.

(Thereupon, at 1:40 p.m., the subcommittee recessed to reconvene at 2:30 p.m. of the same day.)

#### AFTERNOON SESSION

Mr. MACDONALD. The committee will be in order.

The first witness this afternoon will be Mr. William J. Neville, vice president of the Florida Drum Co.

#### STATEMENT OF WILLIAM J. NEVILLE, VICE PRESIDENT, FLORIDA DRUM CO., PENSACOLA, FLA.

Mr. NEVILLE. I must apologize for not having a written statement, but due to mail or something it did not show up, so if you will excuse me, gentlemen, I will proceed.

The objection we have to the proposed bill is that it is strictly a cost factor for us. One, the additional cost of dies to stamp the drums or emboss, additional inventory costs by separating domestic and foreign materials, and the other is a freight problem with us.

Our chief competition is located in a town that has a steel mill, and we are unfortunate in being located in the Panhandle of Florida with no mills close to us and, therefore, it is a freight factor for us to get steel in by 20 cents a drum advantage, which gives our competition in the Birmingham area that advantage, so the purchase of foreign steel makes it a competitive situation for us.

We, in the purchase of foreign steel, can equalize our price with theirs in any area because they have got outgoing freight, and so do we.

The other thing that concerns us is that maybe our direct customer would not have any objection to having the drum stamped "made of foreign steel" from so-and-so country, but maybe his customer would.

The only problem we would have is where one of our customer's customers would object to receiving their material in a drum marked "this drum manufactured of steel" from so-and-so country.

Now, this would constitute additional sales effort on our part to go out and sell their customer, and I am sure you people can realize that where we would be willing to do it, maybe our customer would not consider us able or whether he would want us contacting his customer, and this would cause friction, as you can well see, where he would not want to irritate his customer by saying, "Well, we stand behind the drum, and it is made of equal quality steel," and explain our situation to his customer. It is just strictly there a case of another added cost with the possible loss of a customer.

The other situation is one that could have developed in the last few days where there was a possibility of a pending nationwide steel strike. If the situation would have developed, and we had not had foreign steel in our plant we would have been out of business within a period of 30 to 60 days because your domestic mills were that far behind schedule on shipments. Orders that were placed with the domestic mills in January of this year still have not been received in small plants. This is not hearsay, this fact. I am not saying that they fill their own captive plants first, I am not implying this. I am just saying that people are stockpiling in case of a strike, we as everybody else. This is the only sound way that you can operate your business, because without steel you cannot produce drums, and without drums you cannot hold the customer. They have to have something to put it in, and it has to be drums, so we have got to stockpile so that they can have it.

Now, one other point I would like to bring up is it has been mentioned here, the possibility of embossing the head of a drum. This runs into two very serious problems. One is the majority of the fillers of containers use the head of the drum either for freight or customer destination or product identification. Also a good portion of the drums today are decorated on the head, actually have a silk screened or lithographed identification customer-named trademark on the head.

Well, you can see the objection of trying to silk screen or lithograph over this drum made of steel from so-and-so company, it is an impossibility.

Another impossibility is embossing the drum on the body. This—well, it just is mechanically impossible because to emboss it you would have to emboss the sheet in the flat, this way. To get a drum you must put it through a mechanical pressurized roll to make your cylinder, so this would roll out any embossing that you put on it and, as far as embossing or putting more embossing on the bottom of the drum, if this was a suggestion, and if it were done, gentlemen, this would weaken the steel container quite extensively, because right now on the bottom of the drum you have the manufacturer's identification marks, you have got the type of container, which would be 55 gallon, 18 gage, plus the date of manufacture, which is the month and the year, plus your ICC specification identification, which would be ICC 17 ESTC, which would be a single trip container.

Now, to put any more embossing on this you are stretching that steel just to the minimum point of resistance.

I just bring these points out as the primary reasons why we object to it. We can understand the other steel drum manufacturers, the larger ones, I can understand their problems.

But we have another one. We are situated in, as I said before, northwest Florida. We also have a plant located in Charlotte, N.C.

We, in the Charlotte, N.C., plant used domestic steel for the drum body or the cylinder portion of the drum. For the heads and bottoms we use the foreign material which we blank in our Pensacola plant and ship to Charlotte for complete assembly.

Now, the reason for this is again just pure economics. A large head press costs a tremendous amount of money, and we, being a small

manufacturer, cannot afford to put or purchase at this time two large presses. We have the one in Pensacola.

So by blanking out in Pensacola out of foreign steel and shipping to Charlotte, N.C., we can be competitive with the rest of the people and the rest of the majors or small users or whoever is our competition in that area. Again it is economics to us. It means making a profit or going out of business.

This is it, gentlemen.

Mr. MACDONALD. Thank you, sir.

Do you have any questions, Mr. Huot?

Mr. HUOT. Do you just manufacture drums or do you recondition drums?

Mr. NEVILLE. Manufacture only, sir.

Mr. HUOT. At the beginning of your comments you made some comments about freight. I did not understand what you meant.

Mr. NEVILLE. Well, we are located, as I said a few times previously, in northwest Florida, and there are not any steel manufacturers within our area. They are located in Birmingham, Ala., and in Birmingham there are located two of our competitors. Therefore, they have about a 20-cent-a-container freight advantage on us because they can pick up right from the mill and deliver right to their plant at about 20 cents a drum, less freight. The foreign steel helps us be competitive in the same market.

Mr. HUOT. Are all your drums manufactured, as you indicated before, a portion of it, made from foreign steel and a portion of it made with domestic steel?

Mr. NEVILLE. Not necessarily; no, sir.

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

Mr. MACDONALD. The question I ask, and I have asked it before, and I am just asking to see your reaction to it, is how would this really hurt you, inasmuch as you purchase or had been in the custom of purchasing it from foreign producers of steel, how would this actually affect you?

Mr. NEVILLE. The actual effect would be that it would limit part of your design of your drum, I am speaking of the finished container, on your decorating, such as, I hope I explained well enough, a portion or a good portion, of your customers call for a decoration on the head of the drum.

Well, you could see if you had an embossing across here, that it would be impossible to decorate on top of this, and people pay extra to have this decoration on there. It is a design, a trademark.

Mr. MACDONALD. As I understand it, as somebody testified earlier as to the weight of it—isn't it usually a 55-pound barrel somebody testified?

Mr. NEVILLE. Gallons.

Mr. MACDONALD. Gallons.

Mr. NEVILLE. It weights 47, 50 pounds.

Mr. MACDONALD. Right. What is the circumference of the top?

Mr. NEVILLE. Twenty-two, twenty-two and one quarter inches.

Mr. MACDONALD. Wouldn't that still leave room to have the embossing plus other printed matter?

Mr. NEVILLE. No, sir.

Mr. MACDONALD. What did you contemplate that this bill would call for in size of the embossing, which is a point that no one has raised before?

Mr. NEVILLE. That would be immaterial. I would say it would have to be a half inch to be of any good.

Mr. MACDONALD. A half inch which way?

Mr. NEVILLE. Any way you would put it on. The letters, if the bill goes through, they have to be so you could see them.

Mr. MACDONALD. It would still leave you 19 inches or so.

Mr. NEVILLE. Yes, sir. But, you see, when you decorate you only have a certain area. You have got screens to go in here, and they would have to fit on, and they have to fit down onto the metal. Any raise in this would stop you from decorating.

Mr. MACDONALD. Well, I do not know what decorating is.

Mr. NEVILLE. Well, what it is, it is a silk screen process where you have a screen that is made to the diameter of the head. Then within this screen are cut the letters or the description or the trademark of a company in here. Then this is painted and then your screen is put on, and your ink is added, and it might be a white head with a green print, green decoration, but it would have to fit down on there or else you could not get a screen.

Mr. MACDONALD. Well, on page 3 of the bill, it says that the container would have embossed on the top head in letters not less than one-fourth of an inch in height. That would seem to me, if it is 22 inches and this is just one-fourth of an inch, that leaves you—

Mr. NEVILLE. Yes, but when you start taking this drum or this container made of foreign steel or made from steel manufactured in so-and-so country—

Mr. MACDONALD. That is not how it is going to read I am sure. Are you familiar with the bill? You are familiar with your business, like most of the witnesses, but many of the witnesses are familiar with the business but not with the bill. That is not how it is going to read.

Mr. HUOT. Steel in this container made in, the name of the country.

Mr. NEVILLE. Still, with a quarter inch you wouldn't have a quarter inch between each other, between each letter, and you would use the head to decorate. You could not possibly decorate over that thing.

Mr. MACDONALD. I will not pursue it. I will let Mr. Curtin, the author of the bill, go into it.

Mr. NEVILLE. I am not saying that—

Mr. MACDONALD. I am not convinced that you make much of a case when you say that the barrel is 22 inches, and this specifically says that it should be one-fourth of an inch embossed, why you cannot do everything else you want to do in the remaining twenty-one and one quarter inches.

Mr. NEVILLE. Because after you emboss your screens would fit onto the embossing, the embossing would hold your screen up off of the rest of the drum, and you could not emboss because, or you could not screen because, to screen and to put your inks through your screen it has to fit down snugly on the bottom, the same as printing a newspaper, the exact same thing.

If you had indentations in this paper before you printed it, before you printed the paper, your print would not—you could not distinguish the print.

Mr. MACDONALD. Mr. Curtin, do you have any questions?

Mr. CURTIN. Just one or two.

Mr. NEVILLE. I take it from your testimony that you use substantial quantities of foreign steel as against domestic steel?

Mr. NEVILLE. No, sir.

Mr. CURTIN. About what is the percentage?

Mr. NEVILLE. I would say we probably use 60 percent domestic to 40 percent foreign.

Mr. CURTIN. Now, I assumed from your testimony that you felt that this bill would, in some way, restrict your ability to procure foreign steel. Was that the intent of your testimony?

Mr. NEVILLE. No, I do not see where the bill has anything to do with the procurement of foreign steel. You are not stopping us from purchasing the foreign steel. All this is going to do is hinder our selling a container made of foreign steel.

Mr. CURTIN. This feature of the matter is the next question I had. How is this legislation going to hinder your sales? You say the person who buys from you would have no hesitancy in buying containers that had on them "This Container Made From Steel"——

Mr. NEVILLE. Questionable.

Mr. CURTIN. But you say, that when this container passed on to the next purchaser that then is where the problem would arise.

Mr. NEVILLE. That is another possibility. They could or they could not. But being a small manufacturer, we cannot afford to take this chance.

Mr. CURTIN. But don't you think that the people who are purchasing those drums, be it the first purchaser or the ultimate purchaser, is entitled to know where the steel in that container is coming from?

Mr. NEVILLE. Not the second purchaser of the drum, I do not care what he does. I am speaking of the person who buys the drum to put his material in. I am speaking of his customer. Like if we sold to a chemical concern, what would his customer say if he received his chemicals in a drum or a container marked "Made With Steel From Japan" or Sweden or England?

Mr. CURTIN. You think that would restrict the use of that drum, if the person who was loading that drum, with whatever might be its contents, had to disclose on the drum the steel from which it was made?

Mr. NEVILLE. I do not know, Mr. Curtin. But we cannot, as a small manufacturer we cannot, take that chance of losing a customer for one of our customers, and this could happen.

Mr. CURTIN. Then you are not really sure that bill is going to do you any harm, you are just afraid it might, and because of that fear you are against the legislation?

Mr. NEVILLE. Could you take a chance that if you put your wallet on there somebody was going to steal it or wouldn't and that is the position we are in right now.

Mr. CURTIN. I would have no hesitancy with the persons who are here.

Mr. NEVILLE. That is neither here nor there. You are trying to evade our issue.

Mr. CURTIN. No, I do not think we are trying to evade anything.

Let us assume that this bill should be amended to require that the marking would go both ways. Supposing, as to the container made

of foreign steel, it would have to say that the steel in that container was made in the country of origin, and then the containers made of U.S. steel would have such a notation on them also, that is, that the steel in that container was made in the United States. Would your objection to the bill still exist?

Mr. NEVILLE. Oh, yes.

Mr. CURTIN. Why?

Mr. NEVILLE. There are people that will not buy foreign products.

Mr. CURTIN. And you, therefore, to avoid that problem would just as soon they did not know they were buying a foreign product, is that right?

Mr. NEVILLE. That is right. There are people who have requested that we do not furnish them foreign steel, and we do not furnish them foreign steel.

Mr. CURTIN. How do you differentiate when you come to make up that order?

Mr. NEVILLE. When we negotiate our contracts at the beginning of the year this is discussed.

Mr. CURTIN. You have your steel segregated in different piles?

Mr. NEVILLE. For that particular customer; yes, sir. At the beginning of the year when we negotiate our yearly contracts or semiannual contracts, if our customer says "We do not want any foreign steel," then we will take his yearly requirements and make that of domestic steel.

Mr. CURTIN. You have records that indicate how much of the steel in your warehouse is foreign steel and how much is domestic steel?

Mr. NEVILLE. Not as separate, only in isolated cases where it is required by our customer. We do intermix steel other than specific cases.

Mr. CURTIN. Then supposing—and I will ask you the same question I did of Mr. Evans—supposing we have a situation where you have a warehouse filled with steel, and which you say you make no effort to segregate as to its source. How do you know what steel to use if you get an order that is to be made up of American steel?

Mr. NEVILLE. A new order?

Mr. CURTIN. Yes.

Mr. NEVILLE. What we would do if we did not have any in the coils, which I am getting back technically again, I am sorry, but this is steel that has been unshipped, and if we did not have it we would order steel from the mill.

Mr. CURTIN. How would you know whether that steel in your warehouse was foreign or domestic steel, if you make no effort to keep it separate?

Mr. NEVILLE. We would not; we would not ship it until we were definitely sure.

Mr. CURTIN. How would you be sure?

Mr. NEVILLE. By ordering more steel.

Mr. CURTIN. So every time you get an order that requires American steel you do not go to your warehouse at all, you order separate American steel sheets to fill that order?

Mr. NEVILLE. Well, in a case where you have foreign steel or domestic steel, we would know at the beginning of the year what we had coming from the mills and also the customers that would order or

would necessarily say, "We want domestic steel," we would know this.

This is not a case where you are going out and receiving a new customer every day. I mean, we probably do not pick up two to three new customers a year.

This is a case where you are supplying the same people year in and year out, and we have, as I am sure you can understand, a certain area that you can ship a steel container. Freight is prohibitive to reach out thousands of miles to ship a steel container. You try to ship within a 350-mile radius of your operation, and you know all of the new drum users in that area, so it is not a case of where you are going to pick up a new customer every day, sir.

Mr. CURTIN. So then I would like to ask you again, steel that you have in your warehouse, there is no way that you can tell by looking at that steel whether it is domestic steel or whether it is steel from a foreign country?

Mr. NEVILLE. Only if it has been segregated due to a specific order.

Mr. CURTIN. Well now, that raises a very interesting question because I understood that under the law all sheet steel that comes into this country has to have stamped thereon the fact that it is foreign steel. Doesn't your steel sheets have that?

Mr. NEVILLE. It is, it is stamped on that. But steel is stacked this way, flat, like this in the flat and this thing is 8 feet high, and you cannot walk in there and pull every sheet out.

Mr. MACDONALD. I guess the record had better reflect what you mean by "this way" and also—

Mr. NEVILLE. Well, it is stacked in the flat, it is sheared and stacked in the flat on skids, let us say on skids.

Well, this thing is moved with a lift truck or a crane, and to actually know which you have you would have to pull down a whole stack and go through your sheets because we receive steel in coils. Then it is put through an automatic shear line, and cut to length, and then restacked. So it can be put onto the line and made into a drum.

Mr. CURTIN. Do I understand this steel comes in a roll?

Mr. NEVILLE. Yes, sir.

Mr. CURTIN. How long is the roll?

Mr. NEVILLE. Well, it averages out about 5 tons, I think about maybe 360, 350 sheets to a roll.

Mr. CURTIN. I see.

How many marks are on that roll indicating it is of foreign origin, just one?

Mr. NEVILLE. No, I imagine it is stamped when they roll it; I imagine it is stamped ever so many feet. Being honest I could not tell you exactly how it is. I know it is marked because I have seen them going through the washer coming off. I couldn't tell you exactly how.

Mr. CURTIN. When you cut this roll into whatever sizes you cut it into, I assume, from what you say, that you pile domestic steel and foreign steel in the same pile?

Mr. NEVILLE. Yes, that is right.

Mr. CURTIN. You make no effort to distinguish one from the other.

Mr. NEVILLE. Because the quality is equal.

Mr. CURTIN. Supposing that the bill required the containers be stenciled rather than embossed. Would you object to it?

Mr. NEVILLE. The stenciling would still interfere with your decoration problem.

Mr. CURTIN. How?

Mr. NEVILLE. It would show right through or over the top of it.

Mr. CURTIN. Well, the stenciling, if it is in letters not more than a quarter inch high, and just with those six words, would not seem to need a tremendous amount of space.

Mr. NEVILLE. Well, if I sold you a container or an automobile, and you specifically requested that you wanted a lavender head or a lavender bottom or body on this, and I came along and stenciled, "This Container Made" on top of this special color that your packaging people said that they wanted on their containers, I do not think they would appreciate it, and I know I would not.

Mr. CURTIN. And yet you say that the absence of that lavender color off a very small surface—which would be required for either the embossing or the stenciling—would be a real handicap to you in the sale of your product?

Mr. NEVILLE. I believe it would; yes, sir.

Mr. CURTIN. That is all the questions I have.

Mr. NEVILLE. I am speaking strictly from a marketing end.

Mr. CURTIN. That is all.

Mr. MACDONALD. Just to pin down in my own mind your feeling on this, and this will be the last question I have, if instead of embossing the message "Steel in this container made in," country of origin, was done in a different way than embossing, would that take care of your objections to the bill?

Mr. NEVILLE. No, because you would—gentlemen, I realize that getting back into the technical end of it, today when people buy a container it is not a black and white drum. It is not an olive drab oil drum as they all seem to think.

These people go into elaborate colors and elaborate designs and special trademarks, and we have in stock maybe 30 different colors of blue and red, everybody has specific color combinations and designs, and if you mark this or go away from this pattern of theirs in any way, they are going to be very, very dissatisfied and you cannot blame them because if you bought an automobile and somebody stenciled on the side, "This fender made from steel from Yoshida," you would not like it either, and that is just what it boils down to.

Mr. MACDONALD. Thank you, sir.

Mr. David Steinberg.

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

Mr. STEINBERG. Mr. Chairman, Mr. Huot, my name is David J. Steinberg, and I am secretary and chief economist of the Committee for a National Trade Policy.

Our committee represents no specific interest in any way connected with the manufacture, importation, exportation, or use of steel containers. Our interest is solely in the development and preservation of a trade policy that adequately advances the national interest of the United States.

In our view the national interest is served best by the removal of tariffs and nontariff barriers as rapidly as this country's economic capability, and that of the countries from whom we seek reciprocity, will allow. The Nation's economic strength and resiliency, as well as its international monetary position and its leverage in international negotiations, require this kind of foreign trade policy. We believe that not only should the many restrictions still impeding world commerce be minimized, but also that the many proposals which have been made, and will be made, to restrict trade either directly or indirectly should be rejected, unless convincing proof can be offered that a temporary restriction is indispensable to a constructive adjustment effort and that such measures are in the national interest. This is the overall framework of the policy position taken by our organization.

This explains our opposition to H.R. 6775 and its companion bills on the marking of steel containers. We believe that the purpose of these bills is to restrict trade by adding discriminatory costs to the use of imported steel and creating uncertainty in this trade. They would do this under the guise of protecting the consumer of steel containers by informing him of the origin of the steel from which the container is made so that he might assert a nationalistic preference if he is so inclined.

Each consumer, of course, has a right to base his choice of product on any considerations that satisfy his fancy. If he wants to give a great deal of weight to the country of origin of the steel from which the steel container in which the product he is buying has been shipped, that, of course, he may do. But to require that containers made in the United States of imported steel should bear an embossed marking of the country of origin of that steel (as a condition for allowing that container to be used in the Nation's interstate and foreign commerce) is not in our view a proper responsibility of Government. It is not a reasonable and logical extension of the marking requirements in existing law.

Such markings are not required of other products in which imported materials have been used. And the reason is clear. Such a requirement would encumber the free enterprise system with a costly and administratively burdensome array of manufacturing and book-keeping details, and amount to discrimination against users of imported steel. It cannot properly be likened to the identification of ingredients on food and drug containers, the purpose of which is clearly to advise the purchaser of what he is buying. Nor does it meet the test offered by another supporter of such legislation, that "some incentive should be provided to utilize domestic steel in the manufacture of these containers, but clearly an incentive which is in no way punitive in character." I believe it was a member of your committee who made such an assertion during the floor colloquy on this matter over a year ago.

These burdens, and the ever-present possibility of harassing complaints from those who might think it worth their while to question the accuracy of a user of imported steel in his marking duties, may discourage some businesses, particularly small business, from bothering with imported steel.

The actual costs and inconveniences, in addition to the possible legal tangle which an occasional administrative mistake may set off, may not be worth the saving he may realize in using imported steel.

Such burdens on business operations are deterrents to sound trade expansion, both at home and abroad. Manufacturers and consumers everywhere should be as free as possible to avail themselves of the cost and other advantages of buying materials, components, and finished products from whatever sources offer such advantages. This is a basic element of the free enterprise system and of expanded trade both interstate and international. It is an important characteristic of economic life in today's world. Somewhere along the line, the burdens and deterrents injected by bills such as those we are now discussing add to costs and prices and affect someone's competitiveness. If they also affect imports of sheet steel, they tend to reduce foreign purchasing power for American exports and could conceivably generate similar practices abroad to the detriment of our export trade. In fact, what foreign governments might devise, based on our example, could far exceed the example we set. Moreover, such steps on our part do no good and much harm to the effort our Government is making to get foreign governments to reduce the many barriers that now obstruct U.S. exports.

What precedents do such requirements set for other interests in our own economy? Why would it not be logical for iron ore interests, concerned as they are over growing imports of ore, to seek legislation requiring U.S. producers of steel sheet for the manufacture of containers to mark on their product the country of origin of the ore that was used? What purpose does it serve? What does it really tell the ultimate consumer—whose real interest presumably lies in quality and price—except to provide the more narrowminded consumers with a checklist against which they may apply their particular prejudices?

Such catering to political prejudice is not a governmental responsibility. Besides, when the consumer sees no marking regarding the origin of the steel, how will he know it is American steel? Consumers cannot be expected to be familiar with the details of this bill if it should become law. If the U.S. producers want the American consumer—in this case the individual or firm that buys the contents of the steel container—to prefer or insist upon steel containers made of American steel, then those producers should take steps to have their own containers indicate that American steel was used in making them. If that is the way they want to do their merchandising, they should then urge consumers to buy American goods shipped in containers marked as having been made of American steel. This would leave nothing to the imagination or surmise of the consumer, that is, the consumer who bothers to look for such markings in the first place. But such voluntary practices are a totally different matter from burdening the import distribution system with new country-of-origin markings required by law.

Alternatively, if the supporters of the proposed legislation feel, as they do, that the absence of country-of-origin markings where imported steel is used is "an unfair method of competition and an unfair and deceptive act or practice under the Federal Trade Commission Act," then they should make such a complaint before the Federal Trade Commission in accordance with existing procedures. If they feel

that imports are seriously hurting them, they should bring their case—as an industry or as individual producers—before the Tariff Commission and seek relief under the provisions of the Trade Expansion Act.

In conclusion, we urge the supporters of bills like this to exert their energies not in the direction of new burdens on the movement of goods in international commerce, but in the direction of constructive answers to whatever problems they face. Thank you, sir.

Mr. MACDONALD. Thank you, Mr. Steinberg, for a clear and brief statement.

I see that the committee which you represent carries on its letterhead a number of very prominent people who are engaged in extensive production and merchandising and manufacturing.

Mr. STEINBERG. Yes, sir.

Mr. MACDONALD. I see that the board of directors includes gentlemen with whom I am familiar, the Gillette Co., whose home office is located very close to my district in Boston, and I know that he faces competition from certain blades that have made inroads against his company, in which the stamp of the country of origin is very prominent.

A concrete example is the Wilkinson blade which has made a good deal out of the fact that they have been manufacturing swords and blades in England for a number of centuries, and I have found that the Gillette Co.'s advertising, in order to counteract this inroad, because apparently the Gillette Co. feels that the fact that it was manufactured in England is an advantage to the so-called sword Wilkinson blade, that they, too, are going into European type of advertising.

So when you say that the country of origin just appeals to the prejudice that may exist in people, I think this could work two ways, could it not?

Mr. STEINBERG. Yes.

Mr. MACDONALD. It does not always work against the country of origin. Don't you agree with that?

Mr. STEINBERG. I agree with that, Mr. Chairman. In actual practice the country of origin could be a mark of distinction which could benefit the merchandising of the product.

Mr. MACDONALD. Well, it has in the case that I concretely brought to your attention.

Mr. STEINBERG. That is correct.

Mr. MACDONALD. They do it because the gentlemen that you represent here, a member of the board of directors, obviously must agree with what we both agree with, because their advertising is taking a slant in that direction.

Mr. STEINBERG. Yes.

Mr. MACDONALD. What I am questioning is your statement that this marking would just appeal to the prejudice of certain narrow prejudices among purchasers here in the United States to the detriment of international commerce, and I say to you that that is not a fact.

Mr. STEINBERG. No, I agree with you that markings, as I indicated a moment ago, markings do not necessarily have one effect or the other, and in some cases markings serve to move a product more effectively into the channels of commerce, both domestic and foreign.

Mr. MACDONALD. Sir, could I just read your statement and perhaps you would like to amplify the statement?

Mr. STEINBERG. I am just about to.

Mr. MACDONALD. You say here that does not really tell the ultimate consumer—you are talking about marketing now—

Mr. STEINBERG. Yes.

Mr. MACDONALD. Except to provide the more narrow-minded consumers with a checklist against which they may apply their particular prejudices. Such, and you underline this in your statement, such catering to political prejudice is not a governmental responsibility.

Mr. STEINBERG. The difference—

Mr. MACDONALD. And I am just questioning that because I do not believe it expresses the true facts.

Mr. STEINBERG. Well, let me amplify that. Having agreed with you on the point you were making that markings may in certain instances move a product into commerce, both foreign and domestic, more effectively than might otherwise be the case, there is a difference between voluntary marking, which is the marking by any company that wants to mark its product as made in a certain place, because it believes that in so marking the product it may move the product more effectively into retail channels and into consumers' hands. There is a difference between that kind of marking, the voluntary kind, and marking that is required by Government.

The point that I was making in my statement is that the kind of marking required in this bill, and the purpose of the marking in this bill, and this is the background for my statement, is, it seems to me, to appeal or to stimulate appeals to political prejudices so that people who do not want to buy anything that was made in Britain for some reason that only they know, or that—

Mr. MACDONALD. If they were Irish, for example.

Mr. STEINBERG. I did not want to say that, sir.

Mr. MACDONALD. I am happy to say it. (Laughter.)

Mr. STEINBERG. Then—I lost my trend of thought—yes, people who want to, who do not want to buy a product that has any part of it originating in a particular foreign country, then they will use this specific country identification as a kind of political checklist.

Mr. MACDONALD. In other words, what you really are saying is it is all right if the manufacturer wants to put the country of origin, the foreign manufacturer wants to put it on—

Mr. STEINBERG. Yes, sir.

Mr. MACDONALD. That is all right. But for our Government or by act of Congress to enforce it is wrong.

Mr. STEINBERG. Yes, sir.

Mr. MACDONALD. That is a very thin line of demarcation to me.

Mr. STEINBERG. Well, this is a complex issue and one of the complexities of the issue is that such a requirement has to be judged in the context of the function of the free-enterprise system at home, and of American trade policy around the world, and I believe that such requirements by Government requiring markings of the kind in this bill with respect to imported steel, represent discriminations against the users of imported steel, and that this could have certain repercussions in terms of our trade policy objectives around the world, besides being interference, Mr. Chairman, with the functions of the free-enterprise system, as I understand that system.

Mr. MACDONALD. Well, I take it that your committee which you represent here so well today is a fairly liberal organization with a liberal outlook on trade and other matters.

Mr. STEINBERG. Yes, sir.

Mr. MACDONALD. Don't you think that it is the very antithesis of a liberal approach not to have made available to consumers the knowledge, the information, freedom of information, where the product that they are about to buy comes from?

Mr. STEINBERG. If it is necessary for proper consumer judgments regarding the product, and if it is consistent with the functions of the free-enterprise system and if it is consistent with United States foreign-trade policy objectives, to mention only a few of the considerations that have to be taken into account.

Mr. MACDONALD. Well, not to get philosophical, but isn't one of the tenets of our Government that freedom of information, dissemination of knowledge, should be one of the tenets on which our Government is founded?

Mr. STEINBERG. Yes, sir; and I believe in freedom of information and I believe in the right of the consumer—

Mr. MACDONALD. Well, isn't this information that the consumer is entitled to as to where the product he is purchasing originated?

Mr. STEINBERG. Within certain limitations, yes, sir.

You see, if you want to take this principle to its logical conclusion, then wouldn't the consumer also be entitled to know where the ore came from that made the American-made steel for the steel container, and you could use many more examples than I can think of at the moment?

Mr. MACDONALD. Yes, sir; I think there is some merit to that. Mr. Neville went into that, the witness who preceded you went into the fact, there just is not enough room to put this one-quarter of an inch information on a fairly substantially sized container. So if you start breaking down ore and then the chemicals that came from West Germany, not East Germany, and all that, I think we would get rather cluttered up. But I think the basic—and I ask you whether you agree or not, but isn't it a basic—right for a person to know where the product that he is purchasing originates?

Mr. STEINBERG. Well, the product he is buying may be a product made in the United States, it may be a product made abroad. But the product made in the United States is frequently made to a certain extent out of materials, and in some cases actual components, which have been purchased from abroad.

Now, the trend, and it is a healthy trend, in international trade and competition today is for greater interdependence, where manufacturers obtain materials and components where they think they can get the best purchase in order to be able to put onto the market a product which will be merchandised at a price that they think will attract a mass demand.

Now, this is the operation of the free-enterprise system today, and I do not think that a manufacturer who finds that, in order to remain competitive in the finished product that he sells in the market place, he has to buy materials or components from abroad in order to remain competitive, that any discrimination or discriminatory burden ought

to be placed on the manufacturer, and that is what we are talking about.

Mr. MACDONALD. Well, sir, we have said this many times, and I do not want to argue with you, but I do not see what is discriminatory about putting the origin of a product on the product itself. I do not see anything discriminatory about that.

Mr. STEINBERG. The domestic manufacturer is not required, would not be required, by law to place on his products the words "The steel was made?"—"The steel is American steel that was used in the making of this steel container."

Mr. MACDONALD. Let me ask you this question: If this bill were amended in such a fashion that the American producers would put on barrels or whatever their technical name is, "Made in the U.S.A." would you then say that the bill was nondiscriminatory and, therefore, you would approve of it?

Mr. STEINBERG. No, I would not, sir, and the reason that I would not is that this bill says more than just—this bill would require more than just a marking that the steel made in the container was imported steel. It would require a marking that the steel used in the container was imported from a specific country, and I think that this kind of requirement imposes certain burdensome details and costs on the American users of imported steel.

Mr. MACDONALD. But the domestic producer would put the country of origin, too.

Mr. STEINBERG. Yes.

Mr. MACDONALD. "Made in the U.S.A."

Mr. STEINBERG. Yes—

Mr. MACDONALD. It seems reasonable to me that the purchaser be permitted to know where the product was manufactured. I do not understand why you do not think it is reasonable.

Mr. STEINBERG. Well, I think that the distinction—to take your example—that the proper distinction to make would be one between a requirement that the steel used in the making of the container is American made steel, on the one hand; on the other hand, a requirement that the steel used in making the container is imported steel, and then I think you have a question as to whether, or I could then have to do some soul searching to figure out what my answer to that would be.

I said that I thought that it would still be discriminatory if you required the user of imported steel to say that the steel used in making the container is steel imported from a specific country when that importer may be—

Mr. MACDONALD. It does not say "imported." It says that the steel in this container "made in," and then names the country.

Mr. STEINBERG. Yes, "made in." If that user of imported steel buys his steel from a variety of countries, wherever he can get the best buy, then it requires of him special bookkeeping and records as to in which containers he used Japanese steel or Belgian steel, sold to which consumers.

Therefore, I think that that identification of country of origin is a discriminatory requirement.

Mr. MACDONALD. I won't pursue the matter further. I appreciate your testimony.

I would just like to point out that on the board of directors I see some names whom I know personally, and many businesswise I am familiar with, who have gone along with legislation much more far reaching than this type. For example, Pete Grace, J. Peter Grace, president of the W. R. Grace & Co. The merchant marine operates under certain laws and, as you know, under Public Law 480, at least half of all the things that we send abroad by law have to be carried in American bottoms. That seems to me to go a good deal further than this bill, and Mr. Grace, I know, has ships that benefit, and his line benefits from that law. It seems peculiar that he would take a position, and I take it you are representing him here today—

Mr. STEINBERG. I am not representing Mr. Grace.

Mr. MACDONALD (continuing). That is completely different from his position, which his position would be, if you asked him about the 50-50 bottom provisions of the maritime law.

Then I see there is Mr. Merrell, whom I do not know, I happen to know Mr. Grace—of the Ford Motor Co. I do not know how much the tariffs are against imports around the world and against Ford being imported in the various countries of the world, but I am sure that they are very high indeed.

Mr. STEINBERG. They are indeed.

Mr. MACDONALD. And I am not sure he could testify the way you have since the laws that govern his exports are much more stringent than certainly just marking the point of origin.

Mr. STEINBERG. But one of the points—

Mr. MACDONALD. Also Mr. Watson, Tom Watson, of International Business Machines, I happen to know, has any number of problems in getting his machines distributed throughout the world, with high tariffs against them, and many people just plain don't want IBM into their country.

So while the letterhead talks about the Committee for a National Trade Policy, I am not sure that they would testify exactly the same way you would. Maybe they would.

Mr. STEINBERG. Well, I think—

Mr. MACDONALD. But they have, to my knowledge, good reason not to.

Mr. STEINBERG. On the contrary, Mr. Chairman, I think they would have good reason to, and I say that with respect because one of the points made in my statement was that the United States needs leverage, negotiating leverage, to induce other countries of the world to minimize those burdensome trade barriers, and we, as the strongest economy in the world and the largest trading nation in the world, resorting to trade restrictions of various kinds, some direct, some indirect, lose leverage in doing so because other countries say, "Well, look, here is the great, powerful United States doing this sort of thing. Then how can you expect Belgians or what have you to reduce our trade barriers? We cannot afford to."

Mr. MACDONALD. But this is not a trade barrier, this is a marking showing the country of origin.

Mr. STEINBERG. It is more than information, Mr. Chairman. It is, I believe, a trade barrier in an indirect sense, in a nontariff sense. It is not a trade barrier at the border or at the port. It is a trade barrier in the domestic operations of the American economy and we, in our own export trade, are faced with those kinds of barriers in other countries,

not barriers at the port, but barriers in the economy somewhere, special kinds of domestic taxes or requirements regarding electronics specifications or what have you.

Now, it is awfully important to get rid of these barriers, these internal, if you will, trade barriers that discriminate against American exports. But we stand little chance of doing that if we resort to a proliferation of barriers in our own economy.

Mr. MACDONALD. I think we stand little chance of doing that, period. But I won't question any further.

Mr. STEINBERG. But you have to try, Mr. Chairman.

Mr. HUOT. I have no questions.

Mr. MACDONALD. Mr. Curtin?

Mr. CURTIN. Sir, I think we have been trying for a long time—

Mr. STEINBERG. With some success, Mr. Curtin.

Mr. CURTIN. Not as much as most of us were led to believe. I know that you and previous witnesses speak of leverage and liberality and use other phrases all meaning the same thing. But it looks to me as if you are merely working on the theory that we will set a good example with the hope that, in the future, other countries will come around to thinking we are doing the right thing, and they will reciprocate.

Unfortunately, the reciprocation has been very mild, so far as I can see. However, to get away from the philosophical aspects of the matter, I note in your statement, sir, on page 4 where you say—and you are speaking now, of course, of this legislation presently before us—“Moreover, such steps”—and that I presume means this marking type of legislation—“Moreover, such steps on our part do no good and much harm to the effort our Government is making to get foreign governments to reduce the many barriers that now obstruct U.S. exports.”

I take it that this statement, which you make in reference to this particular marking bill, could be applied to all marking bills; is that true?

Mr. STEINBERG. To all marking bills of the same character and we, as a committee, have testified in opposition to such bills.

We have, of course, a law now which provides that if some importer should bring these steel pails or steel drums into this country from a foreign country, they would have to be marked with the country of origin; is that your understanding?

Mr. STEINBERG. Yes.

Mr. CURTIN. All right.

Mr. STEINBERG. Who brings in a steel container?

Mr. CURTIN. Yes.

Mr. STEINBERG. Yes.

Mr. CURTIN. Imports a steel container or a steel pail.

Mr. STEINBERG. Yes.

Mr. CURTIN. They would have to be marked as to the country they were made in.

Mr. STEINBERG. And the sheet steel would be, too, if it came in as sheet steel.

Mr. CURTIN. Right. Now as to the domestic container contemplated by this legislation. This would be made of steel made in a foreign country, so instead of saying on this container, “Made in Belgium,”

or France, or wherever it is made, this marking would be "The steel in this container is made in Belgium," or France, et cetera. What is the distinction in your mind as to discrimination? Why is one type more objectionable than the other?

Mr. STEINBERG. I am not sure I follow the question, Mr. Curtin.

Mr. CURTIN. Let me try again. You believe that it is quite proper for a pail that is manufactured abroad to have marked thereon "Made in the country of origin," and then brought into the country with that marking on it?

Mr. STEINBERG. Yes, sir; that is the law.

Mr. CURTIN. You see nothing wrong with that?

Mr. STEINBERG. No; I see nothing wrong with that.

Mr. CURTIN. What is the distinction, then, when you have another pail, made in this country from foreign steel instead of having been processed in that foreign country, being marked "Steel in this container made in such foreign country"? Where do you draw the distinction?

Mr. STEINBERG. I draw the distinction, sir, in that the container that is made in the United States from imported steel is a container made in the United States. There was a great deal of what the economists call value added, American value added, in the manufacture of that product, on the one hand.

On the other hand, the sheet steel that came into the United States that went into that container is steel that has moved through customs, paid duty, and entered the distribution system of the country.

Now, I believe that there is, there should be, no requirement that the manufacturer, that the American manufacturer, of a steel container containing imported steel be required to identify that product as containing imported steel or as containing imported anything else whatever. If there are any bolts or anything of that kind that go into the process, he should not be required to identify those either.

Now, as I understand it, the purpose of this bill is to promote the sale of American made steel.

Mr. CURTIN. What is the purpose of the marking set forth in the Tariff Act?

Mr. STEINBERG. The purpose there is to identify the product for whatever purpose there is in section 304 of the Tariff Act and that, I suppose, is for proper treatment of the product under the tariff laws.

Mr. CURTIN. You think that is the purpose of Section 304?

Mr. STEINBERG. We have a certain duty that we impose on products from the free world as against other countries, and so forth.

Mr. CURTIN. Wouldn't they collect the same duty on that imported article whether or not it had stamped thereon that it was made in a foreign country?

Mr. STEINBERG. I am not a customs expert, I do not know all the details behind the requirements of section 304.

Mr. CURTIN. Yes, sir. But I think you are trying to evade the question a bit, sir.

Mr. STEINBERG. I am not trying to, sir.

Mr. CURTIN. I think it ought to be fairly obvious that if you should get a drum coming from England, that was made in England, that has no marking on it, assuming it was inadvertently omitted—and another drum coming from England that has a marking on it "Made in England" the tariff on those two drums is going to be identical.

Mr. STEINBERG. Sir, the steel that went into the drum that was made in England is not necessarily British steel. You have the same example with respect to the American container that uses imported steel.

Mr. CURTIN. Yes; that is true. But nevertheless that drum made in England tells the ultimate consumer that it is made of steel foreign, that it is not made of domestic steel.

Now, if you make a drum in the United States of steel from England and say on that drum that it is made of steel from England, you are telling the user of that drum exactly the same thing in either instance. It is information only.

Mr. STEINBERG. It is information, it is interesting information, but that is not the whole story, you see.

You are imposing, sir, this bill is imposing, upon the users of imported steel certain costs which do not have to be borne by users of domestic steel.

Mr. CURTIN. All right.

Mr. STEINBERG. And, therefore, it is discriminatory.

My position is if you are trying to promote the use of American made steel and the manufacture of steel containers, and if you want to promote it by urging users of steel containers in the second instance or the third instance down the line of distribution, urge them to insist upon containers made of American steel, then I suggest that the steel container industry and the steel industry conduct their merchandising campaigns accordingly. A good example of this, sir, on the matter of another marking bill, a bill about 2 years ago regarding lumber which was, I believe, vetoed by President Johnson, was that a manufacturer of lumber in Idaho, as I told this committee at the last hearing, was not waiting for any requirement by law that users of Canadian lumber mark their lumber as having been made in Canada. He went ahead and marked his own lumber "made in Idaho" or "made in the U.S.A." and he was merchandising it with that as a major part of his campaign. That is his business.

Mr. CURTIN. That is leading up to the next question I expected to ask you, which really has been asked you before by the chairman, but I am going to impose on everybody's time by asking you again. You say it is discrimination because this person who makes a container in the United States of foreign steel is discriminated against because of added costs.

Mr. STEINBERG. Yes.

Mr. CURTIN. Is that your position?

Mr. STEINBERG. That is what I said, right.

Mr. CURTIN. Assuming that the bill should be amended to say that those containers made of foreign steel would have it so designated as the bill provides, and those persons who make containers from domestic steel would so designate. Is there any discrimination there?

Mr. STEINBERG. Before I answer that, let me understand that the marking of the container made of imported steel would be the marking as required in this bill?

Mr. CURTIN. That is right.

Mr. STEINBERG. And my answer there is the same answer I gave the chairman, and that is that that would be discrimination so long as the user of imported steel was required by law to identify the country of origin from which the steel was imported.

Mr. CURTIN. You are using now a different criterion for discrimination. You said before the discrimination was the added costs that were involved.

Mr. STEINBERG. That is right.

Mr. CURTIN. The bookkeeping for the marking. There would be identical costs if you had both types of product so marked.

Mr. STEINBERG. I do not think so, Mr. Curtin, for the reason that when you require the marking of country of origin, when you require the marking of imported steel by country of origin compared with the marking of domestic steel as having been steel made in the United States, you are imposing on the user of imported steel an added cost factor and, as I told the chairman, however, if the question were, if the bill required—and I am not proposing this, but if the bill required that users of imported steel must mark their containers as being manufactured in whole or in part of imported steel, not by country of origin, but imported steel, and also require that American manufactures of steel containers using American-made steel mark their products as incorporating American-made steel, then I think that—I do not propose this sort of thing, but as I said before, I think that I would have a much more difficult time figuring out whether there really was any discrimination involved here, and I think this would require a much closer, more intimate, knowledge of the economics of steel container manufacture than I now possess.

But I do think, however, that that is the question really, and as of this moment, I do not think that I would be taking precisely the same position that I am taking now.

Mr. CURTIN. One other question, sir, and then I will be through. Are you speaking as of your own opinion here or are you speaking for the Committee for a National Trade Policy?

Mr. STEINBERG. I am speaking, sir, for the Committee for a National Trade Policy. This also happens to be my own conviction, but I am speaking for the committee.

Mr. CURTIN. As a result of a meeting they had where the matter was discussed and a resolution passed?

Mr. STEINBERG. No, sir. I am speaking for the committee within the framework of policy guidelines which have been set by the board of directors. The board of directors is not in a position to act upon or vote upon every specific presentation, written or oral, that is made by the Washington staff of our committee, as I am sure you gentlemen will understand.

But the board has clearly and definitely set forth, as it has for over 10 years of the committee's existence, the policy framework. These are the guidelines, this is what we believe, and the staff of the committee is very meticulous in operating within those guidelines.

Where there is any question, the slightest question in our minds, as to whether the board would go along with a specific matter, we poll the board. But the board, after the fact, is then advised of what we have done, and we invite comments from them as to whether this is still within the framework of the board's policy.

Now, as you know, sir, we testified on this, on a similar bill, in 1963—was it November 1963—and the board was advised then of what we had done, the position we had taken, within the board's policy frame-

work. They were advised after the fact of what was done. The board has had a chance to comment on this. There is no objection to this presentation that I have today put before this committee.

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

Mr. MACDONALD. Thank you, very much.

Mr. STEINBERG. Thank you, gentlemen.

Mr. MACDONALD. Mr. Michael Daniels, representing United States-Japan Trade Council. Welcome back, Mr. Daniels.

Will you proceed, sir.

Mr. DANIELS. Thank you, Mr. Chairman.

#### STATEMENT OF MICHAEL F. DANIELS, ON BEHALF OF THE UNITED STATES-JAPAN TRADE COUNCIL

Mr. DANIELS. It is 3 o'clock instead of 5 o'clock, which represents a remarkable improvement for both of us, I am sure.

Mr. MACDONALD. Practice makes perfect, they say.

Mr. 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 steel container marking bills, H.R. 6182, 6647, and 6775. These bills require U.S. manufacturers of steel containers using imported steel to mark the containers with the country of origin of the steel and to maintain and preserve records for at least 3 years showing the origin of all steel used in the containers.

We are opposed to these measures because they represent a radical departure from U.S. law and internationally accepted standards regarding markings. If enacted, this measure would prove burdensome and costly to U.S. independent fabricators and would treat them in a discriminatory fashion. The measure—I anticipate I will have some questions on these statements—would contravene U.S. trade policy by erecting a formidable nontariff barrier.

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

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

By and large, U.S. law regarding marks of origin conforms to the principles laid down in the GATT. The enactment of this legislation, however, would constitute a radical departure from these principles and could serve only as a protectionist measure. Here, an item manufactured in the United States is required to be labeled with the country of origin of the raw materials used in such manufacture.

Now, as we read the language of the GATT we recognize that the article refers to inconveniences and difficulties which such measures

may cause to the commerce of the exporting country and, technically, I suppose, one could argue that since this bill makes difficulties not for the exporting country but for the United States, that it is not within the purview of the GATT article, at least in its literal terms. I think, however, that this illustrates the unheard-of—it is the most unheard-of thing I ever heard of, as somebody once said, without attributing that quote. It was not within the imagination of those drafting the article that the kind of measure which we have before us today would be enacted or considered by any major government.

So in making our statement that it contravenes the GATT article we are aware that technically it may not, but I think the fact that it affects the United States and not the exporting country is all the more reason for this committee not to report the bill favorably.

Actually, we could think, or perhaps public relations people could think, of no better advertisement for imports in the American economy than having this bill amended to include every product manufactured from foreign materials or including foreign components. The benefit of this advertisement would, we realize, be grossly outweighed by the uneconomic cost involved in such extensive labeling. For instance we thought about the American automobile and the foreign materials going into its manufacture. We checked with a major manufacturer of American automobiles, and he mentioned aluminum, antimony, asbestos, cadmium, chromium, copper, cork, cotton, fluorspar, hides, iron ores, lead, manganese, molybdenum, nickel, rubber, tin, wood, and zinc.

As has been said before, there is a bit of Chile in the radiator, a dash of Cyprus in the brakes, and a little of Egypt in the upholstery of an automobile. If such labeling had to be embossed in any conspicuous place in a legend one-fourth inch high, the sleek look of an American automobile would disappear beneath a patina of labels conforming to law.

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

We are sure that the committee would not endorse the extension of the principle of this bill to all imported products. In the instant case, the requirements of the bill would introduce burdensome recordkeeping requirements on American manufacturers of containers. This bill does not even stop at the customary requirement of marking in a conspicuous place, but goes on to require an embossed legend on the top of the container.

It would pull the rug out from under our GATT negotiators in Geneva to enact a measure as patently protectionist as the steel container bill at the same time they are attempting to get other countries to lower their barriers to U.S. exports. A measure of this nature not only makes our trading partners less willing to open their markets to our goods, it may also spur them into raising their barriers in retaliation.

I am not suggesting that the whole negotiation in Geneva will collapse if this bill is passed by the Congress and enacted into law. But it could be an important, although minor, irritant, and it is a pretty snippy game in Geneva.

I was there three times last year. I talked to our negotiators, and measures which barely received attention in the United States—I refer particularly to the Saylor amendment which added a "Buy American" amendment to the mass transportation bill—a hullabaloo was raised by some of the Europeans and others by pointing the finger at us. These become rhetorical debating points, which have a significance far beyond their economic importance or importance in dollar terms, and is a very real problem to them.

I think that I won't agree with Mr. Curtin that the situation is hopeless, but I will say it is extremely serious and grave, and I think that our representatives in Geneva are trying their very best. I do not think it behooves the Congress to make their job any more difficult than it is already.

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. I am aware that these figures include some non-commercial exports, Public Law 480 exports, and others. I believe the State Department yesterday stated that commercial exports, excluding Public Law 480 and other noncommercial exports, still left us with a \$3.4 billion surplus in our trade, a not inconsiderable amount in comparison to our fight to keep our balance-of-payments deficit below the \$3 billion mark, the \$2.5 billion mark.

Mr. CURTIN. If I could interrupt at that point, Mr. Daniels, doesn't the amount of our exports include our foreign aid, and awful lot of our foreign aid?

Mr. DANIELS. No. I say that the actual arithmetic surplus is \$6.7 billion. I believe the State Department excluded foreign aid shipments.

Mr. CURTIN. You mean they are not—

Mr. DANIELS. Wait a minute, shipments in kind certainly, and I am not clear on exactly how they account for it. I know they have taken out the agricultural shipments under Public Law 480, and I believe they have also sanitized the figure to account for foreign aid shipments, and they come out with a \$3.4 billion surplus on commercial account.

Mr. CURTIN. I was going to say I think if you had taken into consideration our foreign aid, which is something for which we get very little money since the American dollar goes into it, for, if not, the picture is not quite as bright as it would seem to be from those figures you listed.

Mr. MACDONALD. We have just had a call from the House, and I do not know how much longer your testimony will go.

Mr. DANIELS. To the end of the page, Mr. Chairman.

Mr. MACDONALD. I do not know how many questions will be asked of you.

Mr. DANIELS. I am at your disposal.

Mr. MACDONALD. We will take a recess and come back very shortly. (At this point a short recess was taken.)

Mr. MACDONALD. The committee will be in order. I believe as we adjourned, sir, you were on the last page of your statement.

Mr. DANIELS. Yes, sir.

Exports to Japan, our best oversea customer, reached a record high of \$1.9 billion in 1964, whereas imports from that country was \$1.8 billion, and here there were none or extremely negligible amounts of anything that moved not for cash. This \$130 million export surplus pushed our 10-year cumulative export surplus in trade with Japan to over \$2.5 billion.

We have prepared, Mr. Chairman, a publication entitled "Japan Buys American in All 50 States," which is an analysis, an attribution of exports to Japan by each State.

I would think it would be of interest to members of the subcommittee if I read into the record some of the figures from the States represented on the subcommittee to give you an idea of what the stake in trade is.

New Hampshire—and these are based on 1963 exports to Japan—New Hampshire exported \$800,000 to Japan; Massachusetts \$16,700,000; Pennsylvania, \$60 million, \$60,300,000; Michigan, \$46,700,000.

Now in the Massachusetts exports, metal scrap accounted for \$11 million, machinery accounted for \$3 million.

Mr. MACDONALD. Is that \$11 million?

Mr. DANIELS. \$11 million in scrap; machinery \$3 million; manufactured goods \$1 million; and chemicals \$1 million. So certainly the machinery manufactured goods and chemicals created employment in the State.

In New Hampshire this was machinery and metal scrap; Pennsylvania, machinery and transport equipment, \$29 million; textile machinery, a subcategory for the machinery and transportation equipment, textile machinery \$7 million; and metalworking machinery \$6 million; other nonelectrical machinery, \$12 million; electrical machinery, \$4 million.

Pennsylvania exported \$10 million in chemicals, including \$3 million of plastics, and \$1 million of pharmaceuticals; \$8 million in manufactured goods, including \$2 million in iron and steel, and \$1 million scientific instruments; \$7 million in metal scrap, and \$3 million in petroleum products.

The jobs that are created by these sales we have estimated as totaling 180,580 for the United States as a whole.

In New Hampshire we estimate 80 jobs were created, in Massachusetts 1,480 jobs; in Pennsylvania 6,270 jobs; in Michigan, 5,010 jobs.

I think often we pay attention to the effect that imports have upon our economy and employment, and I invite your attention to these figures which indicate that profits and jobs are being created by our exports to Japan, and that we have consistently exported more to Japan than we have imported from Japan.

In conclusion, Mr. Chairman, no constructive purpose would be served by enactment of this legislation. The interests of the United States do not lie in further nonproductive hindrances to a free exchange of goods in international trade. Thank you.

Mr. MACDONALD. Thank you, Mr. Daniels.

You mentioned that Massachusetts sent \$11 million worth of scrap to Japan.

Mr. DANIELS. Yes, sir.

Mr. MACDONALD. It is my recollection that we sold a good deal of scrap to them about 20 years ago, too, didn't we?

Mr. DANIELS. That is true.

Mr. MACDONALD. And I would think that, from my own knowledge, that I saw about \$2 million of it being sent back to people from Massachusetts.

Mr. DANIELS. Mr. Chairman, one of the hopeful things in the world is that we now enjoy the best of relations with Japan. The United States has a real stake in economic growth and stability in Japan. Certainly, the sale of \$11 million worth of scrap in the year 1965 does not have the same implications that it might have had in 1935, thank God.

Mr. MACDONALD. I am well aware of the fact that Japan is our staunchest ally in the Far East, and I personally have a very high regard for the Japanese people. I mentioned the scrap in a fairly light vein inasmuch as it is well known to what purpose some of the scrap that was sent from the United States ended up in being, and I served in the South Pacific.

Mr. DANIELS. Mr. Chairman, we recognize that you are an intelligent man, and certainly these are your views and the views of thinking Americans. However, one of the prejudices that does exist, and it must be frankly admitted in the "Made in Japan" label is that it does evoke certain prejudices which, I think are highly inappropriate in this year among some segments of our consumers. I do not think that this is widespread.

Mr. MACDONALD. I do not either. I could not agree with you more, Mr. Daniels. As a matter of fact, I think that some of the products that are labeled "Made in Japan," have an appeal to people because they know of the specialized skills that the Japanese people have, especially for a concrete example in television.

I think the Sony, if that is how you pronounce it, is among the most sought-after small televisions in the world, and the fact that it is made in Japan does just the opposite of bringing up any prejudice against the Japanese or the Japanese manufacturers. I think it adds something—

Mr. DANIELS. I agree with you.

Mr. MACDONALD (continuing). That the Japanese people would be happy to put on the Sony television that it is made in Japan.

The one thing—and I was not here since I had to answer the phone on some business while you were testifying—I thought that your illustration of the automobile in which you point out, in fairly dramatic fashion, that there is a little bit of Chile in the radiator, a dash of Cyprus in the brakes, a little of Egypt in the upholstery, et cetera, and you say if such a label had to be embossed in any conspicuous place on the automobile, it would just be completely labels and not a sleek, to use your phrase, I believe, American automobile.

But that is—I would like to have your comment about my statement, I do not think those two things are similar at all. Once again, I am no expert in the field, as I have said, but I do not think people buy a steel container because of its style; do they?

Mr. DANIELS. Mr. Chairman, the gentleman who testified—Mr. Neville—who testified before me, suggested that this was a consideration. I am not in a position to say whether it is or not, with respect to steel containers. At least, his testimony would lead one to believe this was, perhaps, a factor. But really, the point I was trying to make by this example is that there are many products made of imported materials, and that if the principle of the bill were extended to other articles, you might run into these fantastic labels which certainly would be burdensome to everybody involved.

We import—imported—in 1964, 18.6 billion dollars' worth of goods. Some of these were raw materials, some were manufactured, some were components.

Imports play an important part in our economic life as a submanufacture or as a raw material, and I think to require this kind of labeling when a material has been substantially transformed, and this is the language of the Customs Act, is an unwarranted extension of the country-of-origin labeling provisions in the customs law.

Mr. MACDONALD. One last question. You gave a number of figures that are very valuable and compress our trade relationship with the Japanese economy. I was wondering, do you happen to know, during that period of time to which you relate our exports to Japan, how much was given in foreign trade to the Japanese economy?

Mr. DANIELS. Mr. Chairman, since 1951, I believe, prior to the signing of the treaty of peace with Japan in 1952, we have not given any foreign trade as such to Japan. The GARIOA program was terminated, with the exception of some small technical projects such as the Japan Productivity Center and other places where there were grants, but nothing—

Mr. MACDONALD. Are these sort of pilot programs?

Mr. DANIELS. Pilot programs or training programs or technical exchange or what have you. But at least on what we think of as foreign aid, this was not given to Japan since 1952.

Mr. MACDONALD. When you say foreign aid you are talking about mutual assistance as well?

Mr. DANIELS. That is right.

Now, military expenditures by our military in Japan at one time were much more considerable than they are now. They have gradually declined as we have moved our base of operations to Okinawa. We do not have the large numbers of troops in Japan at the present time that we once had.

Although certainly these represented payments to the Japanese economy, I think that certainly they were for our own good purposes as well, and are not aid programs in the sense of the word that such programs are often referred to.

Mr. MACDONALD. Thank you.

Mr. HUOT?

Mr. HUOT. In the description of the automobile that you made, it was a rather dramatic one. However, Mr. Neville pointed out in his testimony, going back to the container, that the walls of the container were made with domestic steel, and the tops were made with steel from other countries, which would make labeling, of course, a great problem.

Do you see other products that would have the same components, part U.S. steel in this case used in conjunction with imported steel?

Mr. DANIELS. Well, take the example of cameras. There are often foreign lenses used, foreign parts, in addition to American parts.

I think most or many of our radios and television sets today utilize foreign components. Almost any large manufacturer involves materials from many parts of the world. I am sorry I cannot give any more dramatic examples. I am sure there are many, many products where this would be a problem.

Mr. HUOT. Thank you.

Mr. MACDONALD. Mr. Curtin.

Mr. CURTIN. Thank you, Mr. Chairman.

Mr. Daniels, is one of your main objections to this bill your fear that it would be just the foot in the door for even further marking legislation?

Mr. DANIELS. Well, after yesterday and today, I suppose I am a little fearful where this labeling problem will stop. There is no assurance that you or anybody else could give to me or anybody else that if this law were enacted it would not invite other industry groups competing against foreign materials from insisting that their products be similarly labeled.

I think the line, Mr. Curtin, has been drawn rather well by the customs law. It requires any manufactured article to be labeled with country of origin. It then states that if in the process of manufacture the article has been so substantially transformed that it loses its original characteristics and nature, then it will not be required to be labeled. I think this is a good line. Legislation always consists in drawing lines.

Mr. CURTIN. Your feeling then is that you would go so far and no further, that you would be in favor, and are in favor, of the law as it presently exists as to marking, but you think that is as far as it should go, and any step beyond that you would object to on the ground that it is protectionist or protectionism.

Mr. DANIELS. Well, I think that the bill, as drafted, would have the effect of discouraging and making more difficult the importation of foreign steel. I think that this constitutes, therefore, a barrier to trade and, therefore, I think it is protectionist in intent, and I do not have to go very far to draw that inference.

I read the committee report of last week, I read your opening statement at these hearings, and I think it is quite clear you wish to discourage the use of foreign steel, so I think it is protectionist both in intent and in purpose.

Mr. CURTIN. And you see no distinction between a pail which was made in a foreign country bearing a notation on it that it is so made, and another pail made in this country from foreign steel bearing a notation that it is made of foreign steel. Isn't it the same intent and purpose in both cases?

Mr. DANIELS. No. This is logic. As Oliver Wendell Holmes once said, the life of the law has not been logic but experience, and certainly you can make a logical argument that this principle ought to be extended, and what is the difference? I think there is a practical difference, and one which has been accepted by the world community of trading nations, that we will stop here. Why don't we have laws

saying this watch made in New York State, and that watch made in California? Somebody last year wanted to identify Irish potatoes as being grown in Idaho, which I thought was sort of amusing.

Mr. MACDONALD. If you will yield at that point, obviously we do just that.

Mr. DANIELS. I do not think we do.

Mr. MACDONALD. Many potatoes, for a concrete example, you buy by the bag, and they will say, "Raised in Maine," which I know of my own knowledge.

Mr. DANIELS. Or lobsters.

Mr. MACDONALD. Or they will say "Maine lobsters" or they will say "California wines."

Mr. DANIELS. But we have no laws, Mr. Chairman, which require anybody to put any such label on, and I think if you did, especially with integrated companies with many plants and branches around the United States, you would find that this would be very seriously objected to by our business community.

Sure, you can have any kind of label on anything, and I suppose the more information people get the better off they are. You have got to draw the line some place, and I suggest that the present law, hallowed by time, custom, and the difficulties of legislation, is a good place to stop.

I am not going to get into a philosophic argument. I do not know whether I really think that these are unstated prejudices that are being appealed to, or people just want to know, or whether I really want to know, in terms of a manufactured article as to where it was made. It is helpful. If I buy perfume for my wife and it says "Made in Paris," I feel happier about it. I do not think that is the question before this committee.

I think the question before this committee is whether to extend this principle to cover raw materials incorporated in articles which are manufactured and where most of the value has been added within the United States of America and, as a matter of judgment, my own judgment, the judgment of my organization, we do not think it is warranted.

Mr. CURTIN. This is the same view I believe you expressed last year in the hearing on similar legislation.

Mr. DANIELS. Yes, sir.

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

Mr. MACDONALD. Anything else? Thank you very much.

Mr. DANIELS. Thank you, Mr. Chairman.

Mr. MACDONALD. Mr. Stitt, Mr. Nelson A. Stitt representing Japan Iron & Steel Exporters Association.

**STATEMENT OF NELSON A. STITT, REPRESENTING THE JAPAN  
IRON & STEEL EXPORTERS ASSOCIATION AND JAPAN GALVA-  
NIZED IRON SHEET EXPORTERS ASSOCIATION OF TOKYO, JAPAN**

Mr. STITT. Mr. Chairman and committee members, I am Nelson A. Stitt of the law firm of Stitt & Hemmendinger of this city. I appear before you here today on behalf of two of our clients, the Japan Iron & Steel Exporters Association, and the Japan Galvanized Iron Sheet Exporters Association of Tokyo, Japan. These are trade associations

representing trading houses and mills engaged and interested in the exportation of iron and steel mill products from Japan.

I am also directly speaking for the great majority of the U.S. importers who are importing steel sheets from Japan.

I hope that I am indirectly representing the interests of the American consumer whose views are not very often heard, and seldom heeded in the Halls of Congress. I am testifying in opposition to the bills here under consideration.

The United States has maintained a surplus in its trade with Japan in every postwar year, with the exception of 1959.

Mr. CURTIN. If I could just interrupt you at that point, I would like to say that the views of the American people are heeded quite a bit by the individual Members of the Congress or else the people change their Congressman.

Mr. STITT. They are heard in various capacities but seldom as consumers. They are heard generally as—

Mr. MACDONALD. Sir, I will ask a technical question. Are you registered as a lobbyist for any consumers group?

Mr. STITT. No.

Mr. MACDONALD. Then I do not think—

Mr. STITT. That is why I say I indirectly, I hope I indirectly represent them.

Mr. MACDONALD. I think all of us here in Congress do represent consumers because there are obviously many more consumers of any product that you could name than there are manufacturers of them, and we would not be here long if we did not represent the majority of the people in our districts.

So if you are here representing The Japan Iron & Steel Exporters Association and The Japan Galvanized Iron Sheet Exporters Association we would be very happy to listen to your testimony. Otherwise—

Mr. STITT. All right, sir. I was, perhaps, too facetious.

The United States has maintained a surplus in its trade with Japan in every postwar year, with the exception of 1959. Overall for the most recent 10-year period, the United States favorable trade balance exceeded \$2.5 billion, with \$10.1 billion in U.S. imports from Japan as against \$12.6 billion in U.S. exports to Japan. In 1964, the Japanese steel industry alone purchased over \$230 million in U.S. coking coal, iron ore, steel scrap, and other steelmaking materials. Additionally, it purchases an average of \$25 million worth of U.S. steelmaking equipment annually.

To assist it in raising dollars to finance these heavy purchases of American goods, Japan has sold goods in the United States, and one of the most important categories of Japanese goods sold here is, of course, steel mill products. I do not know how many American fabricators make shipping containers with Japanese steel sheets, nor do I know how many Japanese sheets are consumed in the steel shipping container industry. Since Japan was the principal foreign supplier of hot- and cold-rolled and galvanized sheets in 1964, I assume some of the Japanese sheets were used in making steel shipping containers in the United States.

During the hearings which this subcommittee held on similar steel shipping container labeling bills in 1963, supporters of the earlier measures made two apparently contradictory points:

- (1) that the legislation did not prohibit steel importations; and
- (2) that passage of the legislation would greatly help independent shipping container fabricators who prefer to use domestic rather than foreign steel sheets, presumably by reducing the sales of fabricators who think otherwise. In other words, passage of the legislation would not ban imports of foreign steel; it would simply inhibit or reduce or perhaps eliminate sales of foreign steel sheets to the shipping container industry. This seems to be very much a six-of-one, half-a-dozen-of-another proposition. I think I must agree that the present labeling bills would reduce the attractiveness of foreign steel to the independent fabricator.

Since all steel shipping containers must meet rigorous standards established by the Interstate Commerce Commission and the American Standards Association, it is obvious that shipping containers of foreign steel are at least the equal in quality of such containers made of domestically produced steel. I notice in reading your hearings last year that frequently these bills were referred to as similar in purpose and intent as the Textile Fibers Product Identification Act, and Wool Products Labeling Act. I just think this is not so, gentlemen. These are acts to protect consumers against inferior products. Here the bill would not serve that purpose.

The objection is made that foreign steel costs less. The proposed legislation handles this objection in two ways. First, the bills would raise the costs of the fabricator using imported steel by imposing special recordkeeping and retention requirements, enlarging the risk of legal action by a Government agency, and complicating inventory maintenance. This could well erase many or most or perhaps all the cost advantages of using foreign steel. Second, the bills are expected to activate the passive preferences of shipping container buyers for American-made steel and so to divert sales to the bills' supporters. Note that the consumer preferences to which the bill appeals are passive; purchasers actively interested in buying shipping containers of domestically made steel can always specify their interest in the purchase orders. That, of course, is their business; but we suggest that appeals to commercial chauvinism, whether active or passive, are neither good business for an industry nor sound trade policy for a country.

I am going to skip through this in the interest of time, Mr. Chairman.

I would like to point out several things though that I think might be of interest and, perhaps, you may be well aware of. First, the U.S. steel industry has been running at record levels. Last year, it recorded record profits, so far this year also, and they did quite well the year before last year, and sheet is one of the products in shortest supply right now, and has been for some time. Deliveries in sheet are 2 or 3 months ahead.

I also would like to suggest that foreign steel has introduced some measure of price competition in the U.S. steel markets. I think you would notice if you would check the products which have appeared in volume in the import statistics, you will discover that those are the

products where the U.S. steel industry has either maintained its price while raising others or has actually dropped its price in several important categories of steel.

I would also like to suggest that while much of the testimony has spoken of the interest of certain of the container fabricators who had to compete with other fabricators who were using foreign steel and, therefore, their profits had suffered, that we should give some consideration, perhaps, to the interest of the users of these drums and pails.

It seems to me that they ought to be considered to be entitled to the best priced container that they can get of quality. In short, we submit the only purpose these labeling bills are intended to serve is to inhibit sales of foreign steel to fabricators of steel shipping containers in the United States. This is quite apparent from the statements in support of the legislation, both today and last year's hearings.

No department or agency of the executive branch favors these bills. Although disapproval in the Federal triangle obviously does not foreclose a different judgment here, the disapproval of the agency which would be entrusted with enforcement of the bill, the Federal Trade Commission, seems to indicate its limited value in preventing consumer deception.

We further submit that legislation which seeks to deprive certain smaller segments of an industry of an alternate source of supply, which imposes on these segments extra costs and burden unassumed by competitors, which denigrates imported steel, and which is intended to interfere with and undoubtedly will interfere with our foreign trade with Japan and other allies, we submit this is not wise legislation, and that this subcommittee should not recommend its passage.

Mr. MACDONALD. Mr. Huot?

Mr. HUOT. There has been a great deal of talk about the price. Do you know the price differential there is in steel between foreign steel and domestic steel?

Mr. STITT. It varies from time to time, Mr. Huot. As of right now, because of the great demand, in other words, the foreign steel prices fluctuate far more than ours, which are maintained at a steady level, right now there would not be a great differential, I do not believe in sheet. In times where the demand is not so great, perhaps it would be lower by \$10 to \$15 a ton.

Mr. HUOT. How would you feel, Mr. Stitt—Mr. Steinberg, I believe, when he spoke mentioned that he would have to search his soul to determine the amount of discrimination if the label was to merely say "imported steel."

Mr. STITT. I do not think—I cannot agree with Mr. Steinberg on that, sir. I believe if it said "imported steel" it would still, to those people who—and we have, as was pointed out before, a certain amount of prejudice which exists here, and considering the way these drums move from hand to hand, the manufacturer must consider it, perhaps not, the original buyer but buyers down the line four or five uses later, I think the imported steel would also tend to inhibit sales. I mean the use of that label would inhibit sales of imported steel.

Mr. HUOT. Probably not to the degree that the origin by country would.

Mr. STITT. Well, "made in Japan", of course, is still in some areas and to some people not a good label, so to that extent it might improve it some, yes.

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

Mr. MACDONALD. Mr. Curtin?

Mr. CURTIN. No questions.

Mr. MACDONALD. I have just one, following up the point raised by Mr. Tuot. What would you think of the reverse situation that the containers made in the United States bear a label "made in the U.S.A." Do you think that would be discriminatory?

Mr. STITT. You mean if all drums had to have a label, in effect?

Mr. MACDONALD. All domestically produced, all drums which were made from domestically produced steel.

Mr. STITT. And the drums made from imported steel would not be labeled then or they would also be labeled?

Mr. MACDONALD. Well, let us take the first case, where there is no label on it.

Mr. STITT. Well, obviously my first case would be better. If they all have to be labeled, I think it would still be objectionable because—

Mr. MACDONALD. I am not clear which part of the question you are answering.

Mr. STITT. If all U.S. drums had a label "Made in U.S.A.," "Steel made in U.S.A.," and all the imported drums were left with no label, that would be the better of those two alternatives, I would say.

Mr. MACDONALD. From your point of view?

Mr. STITT. Yes, sir.

Mr. MACDONALD. Then would you approve of such legislation?

Mr. STITT. Sir, I do not—as a matter of principle, I think an article manufactured in the United States should not need to carry a label of the source of the component raw material or semimanufactured material.

Mr. MACDONALD. Well, then go to the second case where all those made from steel produced here in the United States would have the label "Made in U.S.A.," and all those made from steel produced in a foreign country bear the country of origin.

Mr. STITT. Well, here again, of course, I must admit I think this would still tend to inhibit sheet sales from Japan.

Mr. MACDONALD. Well, that has been the theme of other witnesses and, perfectly frankly, I do not understand why.

Mr. STITT. Because we, our firm, do quite a bit of work in the Japanese trade, and we have for years run across problems of this kind where there are people, and I am not saying this is a majority of the people, but there are, perhaps, a considerable body of people who will not knowingly buy something manufactured in Japan.

Mr. MACDONALD. Well, obviously this does not apply just to Japan. It applies to the country of origin. It applies to Great Britain, England, France, Czechoslovakia, you name it.

Mr. STITT. That is right.

Mr. MACDONALD. So a person would have to be very prejudiced indeed to dislike or have a prejudice businesswise against the Japanese, the English, the French, the Czechs. It would be hard to find such a

person, I think, who would be, whose business judgment would be, tempered by the fact that they dislike all these other countries.

Mr. STITT. Well, it would operate to different degrees with different countries, I think. But I am sure it would still operate no matter where the steel came from, it would operate to tend to have some of these drum buyers not buy the drum, and I must say I go along with Mr. Daniels, I think the present labeling requirements are well thought out, they are clear, understandable, and they are enforceable, and I would recommend that we stick with them.

Mr. MACDONALD. Do you have anything else, Mr. Curtin?

Mr. CURTIN. No other questions.

Mr. MACDONALD. Thank you very much. That completing the roster of witnesses to be heard, I will close the hearings on bills H.R. 6182, H.R. 6647, and H.R. 6775. The committee is adjourned.

(The following material was submitted for the record:)

THE OHIO CORRUGATING CO.,  
Warren, Ohio, May 20, 1965.

Re Steel Shipping Container Identification Act.

HON. TORBERT MACDONALD,  
House of Representatives,  
House Office Building, Washington, D.C.

DEAR SIR: In view of later testimony submitted concerning the subject proposed act, I beg your indulgence in permitting me to supplement my earlier statements.

Claims have been made that the matter of maintaining an inventory of steel as distinguished between foreign and domestic, or for that matter between any supplier, in the production of steel containers and their identifying embossment, would work an undue hardship on the processor.

I challenge these for the following reasons:

1. It is customary for steel container manufacturers to maintain distinguishable inventory for several reasons.

(a) For check as to size, weight, and number of pieces received

(b) Variation in gage.

(c) For purpose of claims as to faulty material which normally would not develop until the material is worked.

2. It is customary and required by law and regulation and by customers to emboss all steel containers with certain information and the addition of the identifying requirement should impose no added particular cost.

3. Good inventory accounting (bookkeeping) is necessary to effective cost control.

I hope this proves helpful in your further favorable consideration.

Respectfully yours,

LAWRENCE F. MCKAY,  
Executive Vice President.

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 three bills on which your subcommittee is scheduled to hold a public hearing on April 28, 1965; and we respectfully request that this letter be incorporated into the record of the hearings on these bills.

The bills to which we wish to object are H.R. 6182 by Hon. Harley O. Staggers, of West Virginia; H.R. 6647 by Hon. Walter Rogers, of Texas; and H.R. 6775 by Hon. Willard S. Curtin, of Pennsylvania. All these bills propose to prohibit the introduction into interstate commerce of any shipping containers manufactured in the United States from imported steel unless the container is marked so as to indicate the country of origin of the steel.

In a letter to your committee dated November 4, 1963, we recorded our opposition to the same proposal in H.R. 5662, also sponsored by Mr. Curtin, and which was then being considered by your committee.

As we stated in that letter, the National Council of American Importers objects to special marking provisions to indicate the country of origin of imported materials used in producing articles in the United States. If the proposal in these three bills is adopted, there is no doubt that other domestic manufacturers will demand similar marking requirements.

At the present time, about half of our total annual imports are either raw materials or semimanufactures essential for the production of domestic articles. These imported materials are necessary because similar domestic materials either are not available in the United States, or are produced in insufficient quantities. In many cases, the imported materials or component parts are different in grade or quality from the domestic product and may be better suited for certain uses. In addition, it should be borne in mind that because of many factors domestic manufacturers may alternate between domestic and imported materials in the production of their articles. A burden would be placed on such manufacturers who would then be compelled to keep separate inventories in which articles made with imported products must be marked, while those made with domestic materials need not be marked.

All these considerations definitely point out that an undesirable legislative precedent would be established if we adopt the proposals in the three bills mentioned above. For this reason, we respectfully urge that your Committee refrain from approving any one of these bills.

Respectfully submitted.

GERALD H. O'BRIEN,  
*Executive Vice President.*

YOUNGSTOWN, OHIO, May 24, 1965.

W. E. WILLIAMSON,  
*Clerk, Subcommittee on Interstate and Foreign Commerce,  
Washington, D.C.:*

Before hearings are closed on proposed Steel Shipping Container Identification Act, H.R. 6182, 6647, and 6775, Republic Steel Corp. would like to be on record as supporting this proposed legislation. We have read with interest statement of Mr. Livingston Keplinger, president of Steel Shipping Container Institute of which we are a member and in order not to burden the record this will constitute our full and complete endorsement of that statement. As members of the committee know, foreign competition in steel is increasing alarmingly, in many cases due to practice of dumping as to which many individual steel companies (including Republic Steel Corp.) have filed complaints with the Treasury Department.

We respectfully request this wire be included in record of hearings before your subcommittee.

REPUBLIC STEEL CORP. MANUFACTURING DIVISION,  
J. D. KIRKWOOD, *General Manager of Sales.*

THE YOUNGSTOWN SHEET & TUBE CO.,  
YOUNGSTOWN, OHIO, May 22, 1965.

Hon. W. E. WILLIAMSON,  
*Clerk, House Committee on Interstate and Foreign Commerce,  
House of Representatives, Washington, D.C.*

DEAR MR. WILLIAMSON: It is our understanding that your committee, which has held hearings on an act entitled the "Steel Shipping Container Identification Act," has granted permission to file additional written statements for the record.

The Youngstown Sheet & Tube Co. hereby records its support of this proposed act. Our company is an integrated steel company which employs on the average some 24,000 employees.

There is an increasing trend in the importation of steel and steel products, which has adversely affected the steel industry and the jobs of its thousands of employees. Producers in foreign countries have dumped steel and steel products at prices substantially below those charged for the same commodities in their

domestic markets. The prices of the imported steel and steel products, in any event, reflect the lower wages and lower standards of living of the foreign workers as compared with the employees in our country.

Therefore, we believe it is important for the benefit of the people of the United States to enact the Steel Shipping Container Identification Act (H.R. 6647, H.R. 6775, and S. 1634) which will provide for the identification of foreign steel where used in the manufacture of shipping containers. The Youngstown Sheet & Tube Co. supports the proposals contained in the said act.

Very truly yours,

ROBERT E. WILLIAMS, *Executive Vice President.*

CHICAGO, ILL., April 28, 1965.

OREN HARRIS,

*House Committee, Interstate and Foreign Commerce, Rayburn House Office Building, Washington, D.C.*

We are opposed to bills 6182, 6647, and 6775 requiring special embossing of drums manufactured from foreign steel. These bills are not only unfair and discriminatory but tend to create a monopoly in container manufacturing.

TRILLA STEEL DRUM CORP.,  
LESTER TRILLA.

STATEMENT OF GRAUBARD, MOSKOVITZ & MCCAULEY ON BEHALF OF THE AMERICAN INSTITUTE FOR IMPORTED STEEL, INC., NEW YORK, N.Y., ON H.R. 6182, 6647, AND 6775, THE STEEL SHIPPING CONTAINER BILLS

Mr. Chairman, members of the committee, this statement is submitted by the law firm of Graubard, Moskovitz & McCauley, on behalf of the American Institute for Imported Steel, Inc., a trade association consisting of approximately 50 American import and export firms. The membership of the institute has offices and warehouses from coast to coast. The institute opposes any legislation on the subject pending bills to require marking of steel containers with the country of origin of the steel from which they are fabricated by American manufacturers.

The members of the institute primarily engage in importing steel and steel products from abroad and in exporting steel and steel products of U.S. origin and manufacture throughout the world. Their day-to-day participation in this vital segment of U.S. international trade makes possible informed judgments on legislative and other proposals which may affect this important U.S. foreign commerce. The institute's opposition to the enactment of H.R. 6182, 6647, and 6775 is based upon the unanimous view of its members that enactment of such proposals would disrupt U.S. trade in steel and steel products and indeed might well adversely affect trade in and trade expansion efforts for U.S. produced articles generally.

The proposed bills seek to prohibit shipment in interstate commerce of steel shipping containers—drums and pails of steel as defined in the bill—manufactured in the United States wholly or in chief value of imported steel, unless such containers contain a notice to show the country of origin of the steel from which the containers are domestically fabricated. Thus, small U.S. companies which fabricate steel containers, under this proposed legislation, would incur additional costs and would be faced with an additional handicap in complying with this marking requirement. That some of these small firms' customers will decline to purchase containers so marked is clear. As the sponsors of this legislation have pointed out, foreign marks of origin are a negative factor in market acceptability for most products. Moreover, while the mark required by the pending bills, of course, relates only to the source of the steel used in the domestic fabrication of the container, the name of a foreign country on an article, no matter how qualified, constitutes a handicap to the seller. Indeed, there would be a substantial danger of confusion on the part of purchasers who might well believe, contrary to the fact, that the container was not of American manufacture, produced by American workers.

Possibly of even more importance, the small American fabricators, who have been compelled in many instances to purchase imported steel in order to survive against the competition of the integrated steel giants, would be faced, under this proposed legislation, with still another competitive disadvantage. These small American firms, it must be recognized, are in direct competition for customers with firms such as United States Steel Corp., Wheeling Steel Corp., and

other integrated steel producers who make not only the raw material, steel sheet, but also many of the finished fabricated containers which would be covered by the pending legislation. These integrated steel mills, for whose apparent benefit this legislation is introduced, will have no comparable additional cost or inconvenience under the proposed legislation. On the contrary, if any of these legislative proposals were enacted, they would make the object of the integrated steel producers to intensify the squeeze on their nonintegrated competitors that much easier. Thus, when considering this legislation, this committee should be mindful that one of the chief victims will be American small businessmen and their workers.

At the outset, this proposed legislation must be recognized for what it is, a serious and unique departure from the philosophy embodied in American legislation concerning marking requirements. Historically, the United States has required that articles produced in foreign countries be marked with their country of origin upon importation into the United States. The purpose of this legislation is to insure that the "ultimate" purchaser will be aware of the country in which the article he purchases was produced. Once such "ultimate" purchaser is on notice of the origin of the imported article the purpose of the marking law is satisfied. Only the article as imported is required to be marked, and the mark need only be retained until the article reaches the "ultimate" purchaser.

If the "ultimate" purchaser is one who will process or fabricate the imported article into another different produce from that imported, he is the only person who is required to know the origin of the imported product since he is the consumer of that product. The article he fabricates from the imported material is not a foreign article—it is an American article produced by an American firm by the labor of American workers. Thus, an importer of iron ore, as are most integrated U.S. steel producers who favor this legislation, must under present law be informed that the ore it purchases was mined in Canada or Venezuela or in another country. When that ore has been converted by a domestic manufacturing process into steel, no one can doubt that the steel so produced is an article of U.S. manufacture and that no identification of the country of origin of the iron ore used in its manufacture is or should be required on the resulting new article—steel. It is apparent that by precisely the same reasoning, a steel drum made in the United States from steel sheet whether such steel sheet is produced in the United States from Canadian or Venezuelan or Alabama or Minnesota ore or is produced in Germany from German or French ore and West Virginia or Pennsylvania coal is nevertheless a product of the United States.

Thus, requiring the origin of the steel used in fabricating shipping containers to be shown as a mark on the finished product as the pending proposed legislation would mandate, would indeed represent a dangerous departure from the historic U.S. policy regarding marking requirements. One product of the United States would be singled out for discriminatory treatment by the law. An unfortunate precedent would be created. We are convinced that enactment into law of the arbitrary and discriminatory departure from traditional U.S. marking requirements embodied in H.R. 6182, 6647, and 6775 is not only unwise and inequitable in the present case, but also that the unfortunate precedent would create problems for the executive and legislative branches of Government. Enactment may also trigger the imposition of similar burdens by our trading partners on U.S. exports.

For more than a year now the United States has been engaged in negotiations at Geneva under the authority granted by the Trade Expansion Act of 1962 and within the framework of the General Agreement on Tariffs and Trade looking toward a breakthrough in the form of a multilateral trade agreement with the major industrial nations of the free world to make possible greatly expanded trade opportunities. While the "Kennedy Round" is an attempt to further reduce tariff walls by agreement on mutual tariff rate reductions, considerable emphasis is also being placed by U.S. representatives on the elimination or amelioration of many onerous nontariff trade barriers. Reports emanating from these negotiations indicate that the U.S. point of view, that relaxation of these nontariff trade barriers is an essential to a meaningful agreement in aid of expanded trade, is being accepted by our trading partners.

Marking and labeling requirements, whose sole or principal purpose is to harass importers and their customers and thereby to disrupt the free flow of trade, are on the agenda. The current practices of the United States and of its trading partners, we understand, are under discussion with a view toward limiting such practices to their legitimate sphere of informing the "ultimate" purchaser with the minimum of interference to trade. At this juncture in these

critical negotiations, which may set the pattern of free world trade for years to come, it is apparent that enactment by the U.S. Congress of an additional nontariff trade barrier, such as is embodied in the bills under consideration, could only be interpreted by our trading partners as a renunciation of our stated objective to free trade from arbitrary and unnecessary burdens. Our position at Geneva as the leading trading nation of the free world, which, therefore, will be a principal beneficiary of a relaxation of just such barriers, might be irreparably compromised.

Moreover, the passage of any of these container marking bills presently under consideration by this committee would be an unmistakable signal to the multitude of protectionist groups in this country that Congress was prepared to enact similar marking requirements into law for the whole range of products which make up U.S. imports. Prior legislative proposals, which Congress has wisely and uniformly rejected in the past, would be resuscitated and their sponsors would have a precedent to point to in demanding similar "protection" for their industries. Some of the members of this committee may recall these prior proposals; among them that each vegetable and spice used in a can of soup be identified by country of origin on the label, that each toy marble imported in a barrel of thousands of marbles be separately marked, that restaurants be required to post signs identifying the country of origin of the salmon and other fish offered on their menus, and that U.S.-produced automobiles contain markings of origin of all of their component parts. These were actual legislative proposals and not merely horrible examples of the type of proposal which Congress would be required to pass upon with the pending steel container identification bill as a precedent.

In the recent past, demands have been made for legislation requiring the identification of origin of lumber, textiles, and a number of other products. If any of the pending bills are enacted, Congress can look forward to pressures from a multitude of sources to enact similar marking proposals based upon the unfortunate departure from the U.S. present philosophy concerning marking requirements. The executive branch of the Government, preoccupied with serious concerns abroad as well as at home, would be hard-pressed to put a brake upon such a legislative trend. Yet it must be emphasized that none of these past demands by various pressure groups for onerous marking amendments can be distinguished in principle or in fact from the bills now under consideration by your committee.

The members of this committee know only too well the impact of the word "precedent" on the legislative process. It is not, we submit, unrealistic to suppose that passage of any of the pending bills will call forth hundreds of similar proposals affecting a substantial proportion of America's import trade. How would this committee or other committees of Congress be able to ignore this precedent without a charge being fairly made that ignoring the precedent was the rankest form of discrimination? Now is the time to halt such a protectionist legislative trend before it injures America's prestige as a leader of free trade abroad, and more importantly, endangers our substantial trade balance, which is presently running at more than \$6 billion a year.

What we do here in the United States in establishing new barriers and impediments to legitimate trade can also be done by our trading partners. If we impose onerous and arbitrary marking requirements, our trading partners can also. At a time when the United States is seeking a solution to our balance-of-payments problem and has wisely embarked upon a further expansion of our already favorable trade balance as one aspect of such a solution, it is apparent that we should not enact legislation which might well serve as a precedent in the other legislatures of the free world for reversing the trend toward trade liberalization. This is exactly what the effect would be of passage of the pending legislative proposal.

It should be kept in mind that one of the largest categories of U.S. exports is steel and steel products. Only recently the American Institute issued a report called the trade situation of the United States in steel which demonstrated that our export trade in steel and products containing steel accounted for substantially the entire favorable trade balance which the United States has had for the 5-year period 1959-63. A copy of this report is annexed to this statement and we respectfully request that it be made part of the record of this hearing. Retaliation by our trading partners against this vital sector of America's export trade, therefore, could have disastrous results on our balance of payments. Indeed, the very interests who so assiduously press for the pending legislation are the very firms and industries which may have the most to lose from passage of this legislation.

We respectfully submit that passage of H.R. 6182, 6647 or 6775 would not be in the best interest of the American steel industry, the American steel importers and exports, or most importantly, the economy of this Nation. These legislative proposals represent a serious backward step away from our announced objective of expanded free-world trade. The United States as the world leader in trade ought not to establish such a bad precedent and thereby act inconsistently with our national objectives.

For the foregoing reasons, the American Institute for Imported Steel, Inc., recommends that this committee report unfavorably on H.R. 6182, 6647, and 6775 and work for their defeat in the House of Representatives.

#### APPENDIX

### THE TRADE SITUATION OF THE UNITED STATES IN STEEL—STEEL PRODUCTS, MACHINERY AND OTHER MANUFACTURES OF STEEL, IRON AND STEEL SCRAP

The American Institute for Imported Steel, December 21, 1964

#### INTRODUCTION

The American Institute for Imported Steel has undertaken a study of the steel trade situation of the United States in order to clarify and broaden the scope of information on this important subject.

Usually, the only information made available concerns imports and exports of steel products. In most cases, too, the statistics given show only tonnages and rarely consider dollar value.

More importantly, imports and exports of steel products represent only one segment of steel imports and exports in their entirety.

When trade in machinery and other manufactures of steel as well as iron and steel scrap are considered as part of the overall steel trade situation of the United States, it becomes startlingly evident that this country is a net exporter rather than a net importer of steel. It becomes equally evident that the domestic steel industry profits directly from international trade in steel.

The American Institute for Imported Steel hopes that this study will contribute toward a fuller understanding of the benefits to the United States of a healthy trade flow.

#### STEEL PRODUCTS

During the 5-year period 1959-63, tonnage imports of steel products exceeded exports. However, the dollar value figure shows a different story.

During the 1959-63 period, \$154 million more steel products were exported than imported. Table 1 shows import and export figures in both tonnages and millions of dollars for the 5 years in question and for the first 6 months of 1964. We see, for example, that in 1960 export and import tonnages of steel products are almost equal, but value of exports totaled \$638 million while the value of imports was \$429 million—a net trade surplus to the United States of \$209 million. In 1963, import tonnage was more than double export tonnage, but the value gap was much smaller—\$601 million for imports and \$513 million for exports.

Table 2, which describes table 1 in graph form, shows that despite a tonnage deficit in steel products between 1959 and June 1964, only in 1963 and the first half of 1964, was there a deficit in value.

Statistics issued by the Department of Commerce covering the first 6 months of 1964 indicate that there will be a marked increase in tonnage and value of exports and a slight increase in value and tonnage of imports for the entire year.

In the first 6 months of 1964, export tonnage of steel products totaled 1,610,000 tons while import tonnage amounted to 2,838,000 tons.

Exports of steel products should increase from 2,500,000 tons in 1963 to 3,200,000 tons in 1964—a rise of 700,000 tons. Imports should increase from 5,600,000 tons to 6 million tons—up 400,000 tons. Thus, it seems likely that exports of steel products will show a greater increase than imports in both absolute tonnage figures and in percentage.

In dollar value, exports of steel products in the first 6 months of this year amounted to \$305 million and imports were valued at \$335 million. The deficit amounted to only \$30 million.

In summary, the trade situation of the United States in steel products indicates a much more favorable position for the United States in terms both of tonnage and dollar value than ordinarily supposed.

## MACHINERY AND OTHER MANUFACTURES OF STEEL

This category includes farm machinery, earth-moving machinery, tools, automobiles, electrical machinery, railroad equipment, etc. Defense equipment is included, except for the portion coming under grants-in-aid.

Table 3 shows that the percentage of exports of machinery and other steel manufactures relative to total exports remained roughly the same from 1959 to June 1964 at about 37 percent. Valued in 1959 at about \$6.011 billion, these exports rose to \$8,159 billion in 1963—an increase of \$2,148 billion or 35 percent.

Table 3 reveals that imports in the identical categories increased from \$1.630 billion in 1959 to about \$1.788 billion in 1963, or about 9 percent. The rise in imports of \$158 million compares to an increase in exports of \$2.148 billion. Thus, the surplus of exports over imports increased by \$1.990 billion in the last 5 years.

Taking 1963, it can be seen that there was a dollar value deficit of \$88 million in steel products, but a surplus of \$6.371 billion in machinery and other steel manufactures—a combined surplus of \$6.283 billion.

The favorable trend for exports of machinery and other steel manufactures held firm in the first 6 months of 1964. Exports reached \$4.651 billion and imports totaled \$975 million.

In 1963, imports of machinery and other steel manufactures accounted for 10.5 percent of total imports while exports in these identical categories amounted to 36.6 percent of total exports. In the first 6 months of 1964, the percentage of total exports of machinery and other steel manufactures rose to 37.9 percent (1.3 percent over 1963) while the percentage of imports in these categories relative to total imports rose to 10.9 percent (an increase of 0.4 percent).

In terms of tonnages (table 4), steel content in indirect exports of machinery and other steel manufactures in 1963 amounted to 3,500,000 tons while imports totaled 900,000 tons—a surplus of 2,600,000 tons.

Analysis of the dollar value of steel content in exports and imports of machinery and other steel manufactures shows an export surplus for 1963 of at least \$281,400,000. The following procedure was employed to arrive at this figure: Since imports of steel products in 1963 accounted for 7.3 percent of domestic production, this percentage was subtracted from the 3,500,000 tons of steel that went into exports of machinery and other steel manufactures, leaving a tonnage total of 3,245,000 tons. Nothing was subtracted from the 900,000 tons of steel content in imports of machinery and other steel manufactures. Thus, the net tonnage surplus amounted to 2,345,000 tons. Then, 2,345,000 tons was multiplied by \$120 (an averaged price per ton of steel), leaving a total of \$281,400,000.

The trade deficit in steel products in 1963 amounted to \$88 million. When this figure is subtracted from the export surplus of \$281,400,000 in the steel content of machinery and other steel manufactures, a net surplus to the domestic steel industry of \$193,400,000 remains. It can be seen, then, that the domestic steel industry benefits substantially from international trade in steel. It should also be noted that 1963 is not an unusual year; analysis of the same statistics for earlier years reveals a similar result.

Among the leading commodities in U.S. foreign trade in 1963, machinery is first on the list of exports, automobiles are fourth and automobile parts are fifth. On the import list, machinery is in fifth place, iron and steel products in ninth (table 5).

## IRON AND STEEL SCRAP

In order to present a still more complete picture of the U.S. trade situation in steel, iron and steel scrap should also be considered.

Table 4 shows that during the period 1959 to June 1964, U.S. exports of scrap exceeded exports of steel products and indirect steel combined—37,227,114 tons against 30,030,676 tons. In 1959, export tonnages were the lowest in the period, 4,800,000 tons, while the peak year was 1951, 9,700,000 tons.

Imports of scrap during the period rose above 300,000 tons only once, in 1959, when imports of scrap amounted to 309,000 tons.

Value of scrap exports in 1959 was at a low for the period at \$167 million. In 1961 peak dollar value of \$341 million was reached.

## SUMMARY OF IMPORTS AND EXPORTS IN ALL STEEL CATEGORIES, 1959-63

During the 1959-63 period, 33,200,000 tons of scrap were exported and only 1,200,000 tons were imported.

In steel products 13,200,000 tons were exported and 21,500,000 tons were imported.

In machinery and other manufactures of steel, 16,200,000 tons were exported and 4,600,000 tons were imported.

Thus, for the entire period, excluding scrap, exports exceeded imports by 2,300,000 tons. Including scrap, 61,600,000 tons were exported and 27,300,000 tons were imported—a surplus in excess of 43 million tons.

In dollar value, iron and steel scrap exports for the 1959-63 period earned the United States \$1.63 billion. The value of imports for the same period is quite small and does not exceed \$100 million. Therefore, the dollar value surplus from international trade in iron and steel scrap is at least \$900 million.

In steel products for the same period, the United States shows a net surplus of \$154 million—2.470 billion in exports against \$2.316 billion in imports.

In machinery and other steel manufactures, again for the same 1959-63 period, the United States had a net surplus of \$28.554 billion—\$36.463 billion in exports compared with \$7.909 billion in imports.

The total dollar value surplus for 1959-63 in steel products, machinery, and other steel manufacturers and iron and steel scrap totals \$29.608 billion—an average annual surplus of \$5.921 billion.

Taking the first 6 months of 1964, the surplus in the three categories amounts to \$3.676 billion. Since the amount of exports and imports in these categories seems to be holding firm in the second half of the year, the dollar value earnings of the United States in these products will be well above the 1959-63 average and also will exceed substantially the 1963 surplus of almost \$6.5 billion.

Trade in these three categories alone provides the United States with its entire surplus in balance of trade. In addition, the domestic steel industry has consistently earned about \$200 million annually because of steel trade. When the fact is considered that a curtailment of imports will deprive nations exporting to the United States of the dollars they require in order to buy domestic products, it is apparent that both the United States and the domestic steel industry would suffer from any movement toward protectionism in steel trade.

TABLE 1.—U.S. exports and imports of steel products (1959 to June 1964)

[Tonnage and value]

Year		Net tons	Millions of dollars
1959	Exports	1,982,781	395
	Imports	4,628,320	482
	Net balance	-2,645,539	-87
1960	Exports	3,224,119	638
	Imports	3,578,019	429
	Net balance	-353,900	+209
1961	Exports	2,228,132	467
	Imports	3,322,432	347
	Net balance	-1,094,300	+120
1962	Exports	2,273,872	457
	Imports	4,305,535	457
	Net balance	-2,031,663	
1963	Exports	2,511,772	513
	Imports	5,664,739	601
	Net balance	-3,152,967	-88
January to June 1964	Exports	1,610,000	305
	Imports	2,838,000	335
	Net balance	-1,228,000	-30
1959 to June 1964	Exports	13,830,676	2,775
	Imports	24,337,045	2,651
	Net balance	-10,506,369	+124

TABLE # 2

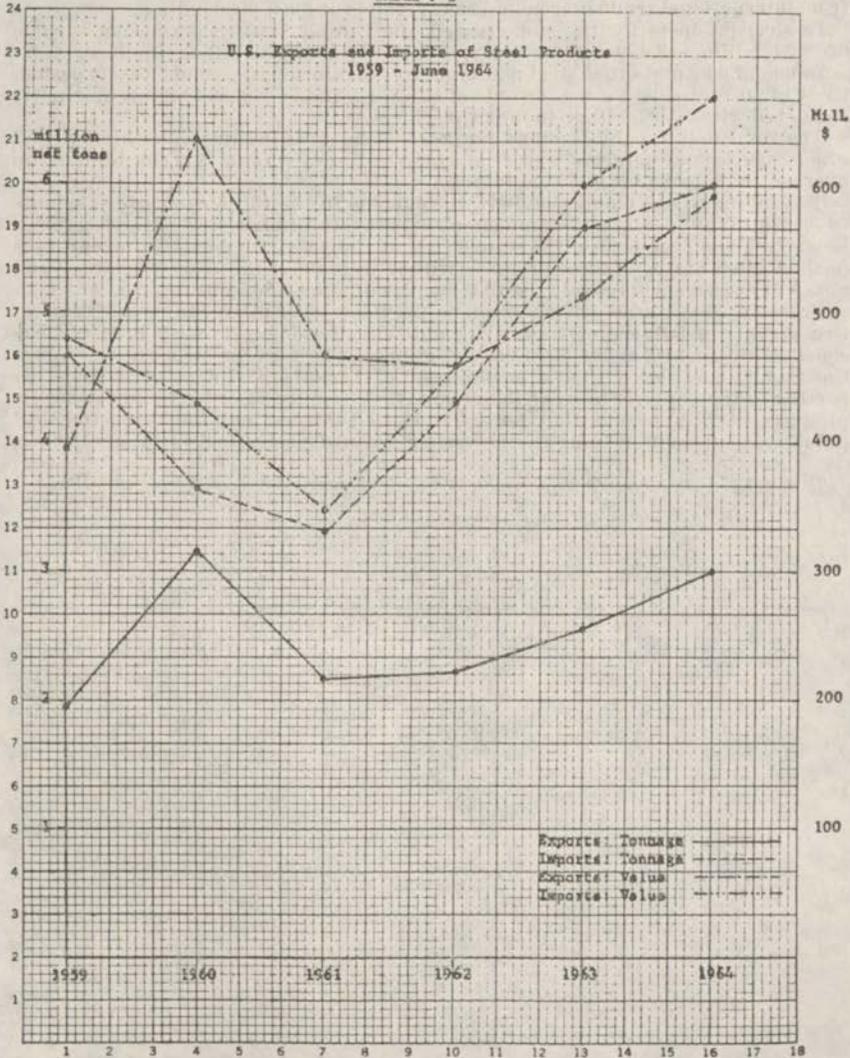


TABLE 3.—Share of steel trade in total U.S. merchandise trade (imports and exports)  
[Dollar amounts in millions]

	1959		1960		1961		1962		1963		January-June 1964	
	Exports	Imports	Exports	Imports								
Total merchandise <sup>1</sup> .....	\$16,406	\$15,627	\$19,609	\$15,017	\$14,713	\$20,901	\$16,397	\$22,267	\$17,005	\$12,246	\$8,921	
Steel products.....	\$395	\$482	\$688	\$459	\$347	\$457	\$457	\$513	\$201	\$305	\$365	
Share of total (percent).....	2.3	3.0	3.1	2.8	2.3	2.1	2.7	2.3	3.5	2.5	3.6	
Machinery and other steel.....	\$0,011	\$1,630	\$6,988	\$1,464	\$1,359	\$8,024	\$1,668	\$8,159	\$1,788	\$4,651	\$975	
Share of total (percent).....	36.6	10.4	36.0	9.7	9.2	38.3	10.1	36.6	10.5	37.9	10.9	
Iron and steel scrap.....	\$167	Small	\$238	Small	Small	\$147	Small	\$170	Small	\$117	Small	
Total all steel categories.....	\$6,573	\$2,112	\$7,864	\$1,893	\$1,706	\$8,628	\$2,125	\$8,842	\$2,389	\$5,073	\$1,310	
Share of total (percent).....	40.0	13.5	40.1	12.6	11.5	41.2	12.9	39.6	14.0	41.4	12.7	

<sup>1</sup> Excluding military grant aid shipments.

Source: Department of Commerce, from basic data of Bureau of Census.

## STEEL CONTAINER MARKING

TABLE 4.—U.S. direct and indirect exports and imports of steel (all categories 1959 to June 1964)

[Net tons]

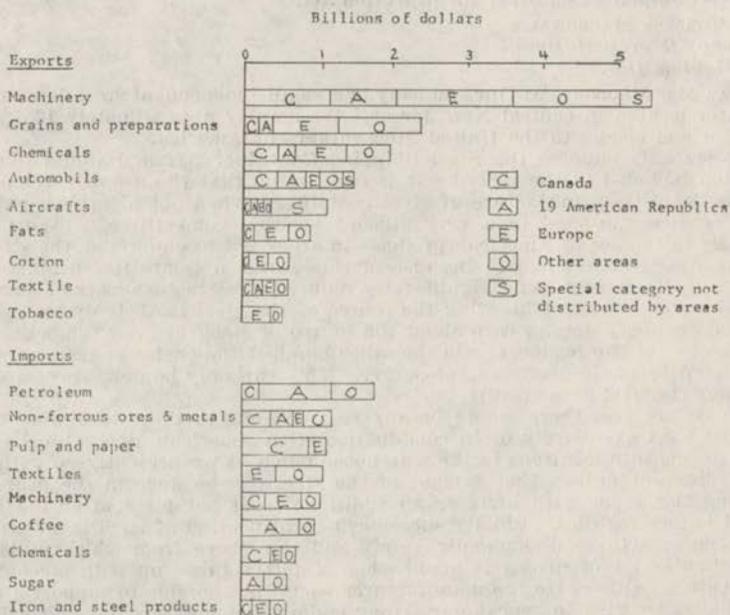
Year		Steel products	Iron and steel scrap	Indirect steel	Total direct and indirect excluding grants-in-aid
1959.....	Exports.....	1,982,781	4,849,076	3,000,000	9,831,857
	Imports.....	4,628,320	309,365	1,200,000	6,137,685
	Net balance...	-2,645,539	+4,539,711	1,800,000	3,694,172
1960.....	Exports.....	3,224,119	7,189,614	3,200,000	13,613,733
	Imports.....	3,578,019	181,884	900,000	4,659,903
	Net balance...	-353,900	+7,007,730	2,300,000	8,953,830
1961.....	Exports.....	2,228,132	9,715,876	3,200,000	15,144,008
	Imports.....	3,322,432	270,795	700,000	4,293,227
	Net balance...	-1,094,300	+9,445,081	2,500,000	10,850,781
1962.....	Exports.....	2,273,872	5,113,409	3,300,000	10,687,281
	Imports.....	4,305,535	264,593	900,000	5,470,128
	Net balance...	-2,031,663	+4,848,816	2,400,000	5,217,153
1963.....	Exports.....	2,511,772	6,368,139	3,500,000	12,379,911
	Imports.....	5,664,739	216,678	900,000	6,781,417
	Net balance...	-3,152,967	+6,151,461	2,600,000	5,598,494
January to June 1964.....	Exports.....	1,610,000	3,991,000	( <sup>1</sup> )	5,601,000
	Imports.....	2,838,000	( <sup>1 2</sup> )	( <sup>1</sup> )	2,838,000
	Net balance...	-1,228,000	+3,991,000	( <sup>1</sup> )	2,763,000
1959 to June 1964.....	Exports.....	13,830,676	37,227,114	16,200,000	67,257,790
	Imports.....	24,337,045	1,243,315	4,600,000	30,180,360
	Net balance...	-10,506,369	+35,983,799	11,600,000	37,077,430

<sup>1</sup> Not available.<sup>2</sup> Small.

Source: Department of Commerce, basic data of Bureau of Census.

TABLE # 5

Leading Commodities in U.S.  
Foreign Trade in 1963  
(by area and value)



Source: U.S. Department of Commerce  
Bureau of International Commerce  
Overseas business reports  
July 1964 (OBR 64-69)

## January to June 1963 and 1964—Comparison of exports and imports

[Millions of dollars and thousands of short tons]

	Exports		Imports	
	1963	1964	1963	1964
Iron and steel scrap:				
Millions of dollars.....	69	117	(1)	(1)
Thousands of short tons.....	2,658	3,991	(1)	(1)
Iron and steel products:				
Millions of dollars.....	244	305	263	335
Thousands of short tons.....	1,173	1,610	2,201	2,838
Machinery:				
Millions of dollars.....	4,095	4,651	888	975
Thousands of short tons.....	(1)	(1)	(1)	(1)

† Not available.

MAY 20, 1965.

## Re Steel Shipping Container Identification Act.

HON. TORBERT MACDONALD,  
House of Representatives,  
Washington, D.C.

DEAR MR. MACDONALD: Our company is a small independent steel drum manufacturer located in central New Jersey. We employ approximately 125 people, 98 of whom belong to the United Steelworkers of America.

We strongly endorse the Steel Shipping Container Act and would like this position included in the record. It is our feeling that the use of foreign steel in the domestic manufacture of steel containers, when not identified, puts the user of domestic steel in a very difficult position competitively. We believe strongly in the use of American products in order not to undermine the strength of the American economy. Because of this stand, a competitor using foreign steel at a lower cost could significantly reduce prices to customers of ours who would have no way of knowing the source of the steel in their drums. If our mutual customer doesn't care about the source of steel then our competitor will be able to get the business. On the other hand, if the customer feels as we do, he should be made aware of the source. This can only be done successfully by marking the steel permanently.

We do not feel there would be any real problem to those who wish to use foreign steel exclusively or in combination with American steel. Steel can be kept in separate locations in the warehouse much as we presently do with steel from different mills. Embossment of the steel can be done in the process of making the drum with little or no additional cost per piece after the initial small outlay for dies. Finally subsequent identification of steel is no problem. Each manufacturer undoubtedly knows and can prove from which mills steel a particular lot of drums is made when a defect turns up with steel during fabrication. Otherwise the manufacturer would not be able to support a claim.

Finally we wish to repeat our strong endorsement of this bill and ask that you make this endorsement known.

Sincerely,

EASTERN STEEL BARREL CORP.,  
ANDREW CAMPBELL,  
Vice President.

ARMCO STEEL CORP.,  
Middletown, Ohio, May 12, 1965.

Subject: House bills known as Steel Shipping Container Identification (H.R. 6182, H.R. 6647, and H.R. 6775).

HON. TORBERT H. MACDONALD,  
Chairman, Subcommittee on Commerce and Finance,  
U.S. House of Representatives, Washington, D.C.

DEAR SIR: We have just learned that your committee has been conducting hearings on the bills noted above. We would like to go on record as strongly supporting this legislation.

We have seen evidence in the past of the desire of Congress to require identification of products to show the country of origin, and it would seem to us that this legislation you are considering serves to reinforce this well-established principle.

It is also apparent that the fabrication of the steel container is an operation performed on a basic steel product and the steel should not lose its identity.

The container industry is a highly important consumer of steel. We understand that the Steel Shipping Container Institute has gone on record with you recommending this legislation and we would like to add our support.

Obviously our interest in this is that the American public will know whether or not they are buying domestically produced steel. Passage of this legislation would continue to offer a complete freedom of choice on the part of the user, but we do feel he should be informed of the source of his material.

Yours very truly,

G. H. McCLURE,  
*Vice President, Distribution.*

INDEPENDENT WIRE DRAWERS ASSOCIATION,  
*Washington, May 6, 1965.*

HON. OREN HARRIS,  
*Chairman, House Committee on Interstate and Foreign Commerce, Rayburn House Office Building, Washington, D.C.*

DEAR CHAIRMAN HARRIS: The Independent Wire Drawers Association, a trade association representing over 20 independent, nonintegrated wire drawers and fabricators of wire products, is opposed to the enactment of H.R. 1671, the Steel Shipping Container Identification Act.

Almost all of the members of the Independent Wire Drawers Association purchase substantial amounts of imported wire rods for their wire drawing operation. These firms are forced to use imported wire rods because the high price of domestic wire rod does not permit them to compete with the domestic integrated steelmills on the sale of wire and wire products. During the past 10 years the domestic integrated steelmills have applied a series of single and double price squeezes on both the raw material—wire rod, and the finished product—wire and wire products, to the detriment of the small independent operator. The plight of the independent wire drawers is fully described in an article which was inserted in the Congressional Record by Congressman James Roosevelt. A copy of the Congressional Record article is enclosed for your information.

The Steel Shipping Container Identification Act would not directly affect the independent wire drawers. It would, however, establish an ill-conceived precedent which runs counter to the country-of-origin marking requirements of the Tariff Act of 1930 and all of the country-of-origin marking requirements administered by the Federal Trade Commission. It is well established that imported articles which are substantially transformed by manufacturing in the United States are products of the United States. The Steel Shipping Container Identification Act would require steel containers and drums manufactured in the United States from imported steel to be labeled with the country of origin of the steel.

This requirement is a burden on the small independent steel fabricators dependent upon imported steel for their raw material. Furthermore, it is unquestionably a burden on the foreign and interstate commerce of the United States, and serves no useful function in informing the consumer.

To carry the concept of the Steel Shipping Container Identification Act a step further: Can you imagine the confusion to the average consumer if an automobile manufactured in Detroit was required to have a tag attached to it showing the country of origin of the raw materials composing the component parts of the automobile?

For the reasons stated above, the Independent Wire Drawers Association is definitely opposed to the enactment of the Steel Shipping Container Identification Act, H.R. 1671.

Sincerely yours,

F. C. MUNTWYLER, *President.*

[From the Congressional Record, Apr. 28, 1965]

## STEEL IMPORTS AND DUAL DISTRIBUTION: THE PLIGHT OF THE INDEPENDENT WIRE DRAWER AND FABRICATOR

Extension of remarks of Hon. James Roosevelt, of California, in the House of Representatives, April 28, 1965

Mr. ROOSEVELT. Mr. Speaker, dual distribution is rapidly becoming one of the chief factors threatening the existence of many small businesses in a growing number of industries. As a result, it is increasingly imperative that each of us understand the forces at work here.

One of the most clear cut and painfully instructive examples of the plight of small businessmen confronted with dual distribution is that of the independent wire drawers.

Recently, I have received a position paper describing the situation in the wire-drawing industry from Mr. F. C. Muntwyler, president of the Independent Wire Drawers Association. It contains a most incisive analysis of the results of dual distribution upon small independent businesses. Under unanimous consent, I include it in the Record at this point:

INDEPENDENT WIRE DRAWERS ASSOCIATION,  
Washington, D.C.

HON. JAMES ROOSEVELT,  
House of Representatives,  
Washington, D.C.

MY DEAR CONGRESSMAN ROOSEVELT: A prime example of the inequities of dual distribution is fully described in the position paper of the Independent Wire Drawers Association entitled: "Steel Imports and Dual Distribution: The Plight of the Independent Wire Drawer and Fabricator." The present situation in the steel wire and wire products industry aptly illustrates the need for remedial legislation, such as you have sponsored, to assure that the market power of integrated producers in dual distribution industries is exercised in the public interest.

Very sincerely yours,

F. C. MUNTWYLER, *President.*

## STEEL IMPORTS AND DUAL DISTRIBUTION: THE PLIGHT OF THE INDEPENDENT WIRE DRAWER AND FABRICATOR

The plight of the independent, nonintegrated steel wire drawing and fabricating industry is a prime example of the anticompetitive market power which can be exercised by integrated producers in a dual distribution industry, and aptly illustrates the need for remedial legislation to assure that this market power is exercised in the public interest.

The basic raw material for the steel wire and wire products industry is hot-rolled carbon steel wire rod. In the United States wire rod is produced by 15 vertically integrated steel mills; and 93 percent of U.S. wire rod capacity is controlled by 12 of these producers, including such industry giants as United States Steel, Republic, and Bethlehem. Steel wire and wire products, however, are produced by both the major integrated producers of wire rod and by many small, independent, nonintegrated wire drawers and fabricators, who are dependent upon the integrated producers for their wire rod—the classical dual distribution situation.

There is nothing inherently evil about this situation so long as a normal relationship exists between wire rod, wire and wire product prices which permit an adequate margin for converting wire rod into wire, and wire into products. Beginning in 1955, however, the behavior of these prices has not been normal, instead these prices illustrate how the integrated producers in a dual distribution industry can apply anticompetitive price squeezes to their nonintegrated competitors.

The case of a typical fabricated wire product, welded wire concrete reinforcing mesh, graphically illustrates the double price squeeze experienced by the independent wire drawer fabricators. Prior to 1955 most nonintegrated producers purchased their wire rods from domestic integrated steel mills at an average price of approximately \$144 per ton. At that time welded wire mesh sold for around \$202 per ton which permitted the fabricators a small markup on the wire drawing and fabricating process. But the major steel producers raised wire rod prices in 1955, 1956, 1957 and again in 1958. According to the Bureau

of Labor Statistics, wire rod prices rose more than any other steel product during the postwar period. The price of the finished product did not increase proportionately, instead it actually decreased. A point was reached, in many areas, where the raw material was selling at a higher price than the fabricated wire product. For example, during 1963 hot-rolled carbon steel wire rod (seven thirty-seconds inch to twenty-one sixty-fourths inch) was sold, f.o.b. Sparrows Point, Md., for \$144.50 per net ton. Yet, the same integrated steel mill was selling welded wire mesh for \$141.50 per net ton, f.o.b. Sparrows Point.

Obviously, the independent producer could not purchase wire rod from the integrated producers at \$144.50, clean and draw the rod into wire, fabricate the wire into welded wire mesh and then compete against a price of \$141.50. As a matter of survival the independent producer had to turn to imported wire rod.

As a result of the double price squeeze applied by the integrated mills, wire rod imports increased from 47,800 tons in 1955 to 910,000 tons in 1963. These imports are consumed almost entirely by the independent wire drawers, and it is estimated that imports account for about 50 percent of the noncaptive wire rod market. The integrated mills did not even attempt to meet this import competition in the marketplace, rather they sought the protection of the U.S. Antidumping Act. Fortunately for the independent producers, the Treasury Department found Japanese wire rod prices were "not less than fair value," and the Tariff Commission dismissed the complaints against wire rods from West Germany, Belgium, France, and Luxembourg on the grounds of "no injury to a domestic industry." Now the integrated producers are seeking to drastically amend the Antidumping Act to insure success in any future complaint against imported steel.

The cold statistics for this period elegantly portray the plight of the independent wire drawer and fabricator:

[Price per short ton]

	Imported wire rod <sup>1</sup>	Domestic wire rod <sup>2</sup>	Welded wire mesh
1959	\$122.60	\$148.17	\$199.54
1960	127.00	148.17	180.93
1961	115.40	148.17	173.71
1962	104.40	148.17	168.13
1963	97.20	148.17	155.62

<sup>1</sup> Open-hearth quality. Imported Thomas quality usually quoted \$4 to \$10 less than open-hearth quality.

<sup>2</sup> Open-hearth quality.

Source: Average import wire rod and welded wire mesh prices based on reports from independent wire drawers. Average domestic wire rod prices from Steel magazine, and from reports by independent wire drawers.

Early in 1964 the major integrated producers, with much publicity, announced a price decrease on common quality wire rod to \$122.50 per short ton. This was an empty gesture as far as the independent wire drawers were concerned—the price of domestic rod gives them a margin of less than \$20 to clean the wire rod, draw the wire and fabricate the mesh, plus carry overhead and profit. Fabricating costs on welded wire mesh average about \$40 to \$50 per ton.

Here are some further current examples of abnormal pricing in the dual distribution steel wire and wire products industry which illustrate the anti-competitive market power exercised by the vertically integrated steel producers:

1. The vertically integrated steel producers did not decrease the price on the heavier sizes of wire rod (nine thirty-seconds inch, eleven thirty-seconds inch and thirteen thirty-seconds inch) which sells for \$143.50 per short ton, f.o.b. mill (Midwest). The vertically integrated steel producers did, however, decrease the price \$20 per short ton on the wire drawn from this heavier wire rod. In the Midwest the following price decreases were made:

Steel wire,  $\frac{1}{4}$ " to  $\frac{3}{8}$ ", reduced from \$175.80 to \$155.80 per short ton f.o.b. mill.

Steel wire, .192" to  $\frac{1}{4}$ ", reduced from \$173.80 to \$153.80 per short ton f.o.b. mill.

Steel wire, .177" to .192", reduced from \$169.80 to \$149.60 per short ton f.o.b. mill.

2. The same situation exists with wire products fabricated from the heavier wire rod. In Florida, the vertically integrated steel producers sell nine thirty-seconds inch wire rod for \$150.20 per short ton, delivered; yet 6-by-6 4/4 welded wire mesh (a product fabricated from 4-page wire, which is drawn from nine thirty-seconds inch wire rod) is sold by the vertically integrated steel producers for \$150 per short ton delivered.

3. The vertically integrated steel producers sell common quality carbon steel wire for a higher price than some wire products fabricated from common quality carbon steel wire. For example:

## (A) WEST COAST

Welded wire mesh 6-by-8 10/10, \$139.83 per short ton, f.o.b. mill.  
Common quality 10-page steel wire, \$149 per short ton, f.o.b. mill.

## (B) MIDWEST

Welded wire mesh, 6-by-6 6/6, \$137.98 per short ton, f.o.b. mill.  
Common quality 6 gage steel wire, \$146 per short ton, f.o.b. mill.

## (C) FLORIDA

Welded wire mesh, 6 by 6-10/10, \$135 per short ton, f.o.b. mill.  
Common quality 10-gage steel wire, \$160 per short ton, f.o.b. mill.

The eminent steel economist, Prof. Walter Adams, of Michigan State University, recently said that without the independent wire drawer "We would have an oligopolistic managed economy (in the steel wire industry). The persistence of the independents is necessary, in the public interest, as the only means—short of regulation or public ownership—of injecting a suitable measure of fluidity into the steel price structure."

It is apparent from this brief analysis of the steel wire and wire products industry that the vertical oligopoly power of the integrated steel producers has tended to keep prices artificially high, which, in turn, has contributed to this Nation's adverse balance-of-payments position by forcing independents to buy imported steel.

The independent wire drawers have displayed direct, vigorous, and dynamic competitive effort—this competitive effort is in the public interest of maintaining a free competitive marketplace. If the integrated steel producers had followed the example of the major auto producers by meeting import competition directly in the marketplace rather than running to Washington, there would have been no need for the independents to use imported steel, and the industry, the public and the Nation would have benefited.

The Roosevelt bill would require fair pricing behavior in dual distribution industries. The Roosevelt bill is not an indirect subsidy for inefficient independent producers in the fabricating segment of the steel industry scientific evidence proves that independent fabricators one one-hundredth the size of their integrated rivals have been capable of competing effectively with the giants—whenever allowed to do so in free and open competition.

The independent wire drawers and fabricators do not want special favors or subsidies from the Federal Government—all we ask is preservation of the marketplace—free from squeeze tactics and monopolistic sharpshooting.

(Whereupon, the committee was adjourned.)



